



Daily Report

China

FBIS-CHI-88-016
Tuesday
26 January 1988

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United States & Canada

XINHUA on Reagan State of the Union Speech

Foreign Policy Agenda Noted

OW260834 Beijing XINHUA in English 0800 GMT 26 Jan 88

[“Reagan on Foreign Policy Agenda of Remaining Months in Office”—XINHUA headline]

[Text] Washington, January 25 (XINHUA)—U.S. President Ronald Reagan tonight tried to regain the momentum of his early years in office by emphasizing the basic objectives of his domestic agenda, but offered no new proposals on foreign policy.

Delivering his last State of the Union address before the joint session of Congress, Reagan reiterated that following the signing of the intermediate-range missile treaty, he will continue to strive to reach an accord on deep cuts in long-range strategic arms with the Soviet Union.

Declaring that such an accord is “within reach”, Reagan said, however, that he will not “seek agreement for agreement’s sake”.

“Our approach is not to seek agreement for agreement’s sake, but to settle only for agreements that truly enhance our national security and that of our allies,” he said.

“We will never put our security at risk—or that of our allies—just to reach an agreement with the Soviets. No agreement is better than a bad agreement,” he added.

The President made it clear that despite the progress in arms control talks with the Soviet Union, his administration will not slacken its efforts in military buildup.

He said that recent years’ decline in the value of America’s defense spending “has increased the risk of our most basic security interests, jeopardizing earlier hard-won goals”.

“We must face squarely the implications of this negative trend and make adequate, stable defense spending a top goal both this year and in the future,” he stressed.

He also restated his firm commitment to proceeding with the development of his Strategic Defense Initiative, known as the “Star Wars” program.

“Strategic defenses that threaten no one could offer the world a safer, more stable basis for deterrence,” he said.

On other foreign policy issues, Reagan said he will formally submit to Congress on Wednesday a request for additional aid to the Nicaraguan contra rebels and urged Congress to pass this request.

According to the President, the focus of the peace process in Central America “is on the Sandinistas, their promises and their actions”, though many congressmen have warned that more U.S. Aid to the contras would kill the peace process in the region.

Reagan said the United States will continue to support the Afghan resistance movement, calling it “the key to peace” in the war-worn country.

He said he had told Soviet leader Mikhail Gorbachev that “there can be no settlement unless all Soviet troops are removed and the Afghan people are allowed genuine self-determination”.

No ‘New Policies’ for Economy

OW260838 Beijing XINHUA in English 0814 GMT 26 Jan 88

[“Reagan Stresses Maintaining U.S. Economic Growth in State of Union Message”—XINHUA headline]

[Text] Washington, January 25 (XINHUA)—U.S. President Ronald Reagan said in his State of the Union message tonight that one of his basic objectives in the year ahead is to maintain U.S. economic growth, low inflation and full employment.

He pointed out that success in pursuing this objective requires “controlling and eventually eliminating” the federal budget deficit. But he did not mention any new policies or measures by which his administration can achieve it.

Instead, he spoke lengthily on the problems of the budget process, and called for “a drastic overhaul” of the budget process, describing it as “the most immediate obstacle to controlling federal deficits” and thus shifting the responsibility to the Congress.

Reagan once again tried to paint a rosy economic picture and did not say a single word about the “Black Monday”—the crash of the stock market last October 19—and the worries over the weak sides of the U.S. economy.

Dwelling on trade problems, he warned of the dangers trade wars pose to the global economy. “We should always remember that protectionism is destructionism,” he said. He urged the Congress to support the U.S.-Canadian free trade agreement.

Reagan also spoke of several domestic problems, such as the improvement of schools, drug abuse and the welfare system of the poor which arouse increasing concerns in the country.

Immediately after Reagan’s speech, in the official Democratic response, Senate Democratic Leader Robert Byrd and House Speaker Jim Wright charged Reagan’s policies had left a grim legacy of fiscal irresponsibility and economic weakness.

"We have come to the end of an era," Byrd said. "The 'feel-good' slogans have gone flat with time. The dark side of the Reagan years has only begun to loom".

U.S. Congress Criticized on Xizang Issue
*OW251214 Beijing in English to North America 0300
GMT 25 Jan 88*

[Text] The Tibetan Regional People's Congress has called on the Tibetan people to oppose the separatist activities. In a resolution adopted on Saturday the regional congress denounces the Dalai Lama for advocating the independence for Tibet. It also condemns the two riots which occurred in the region's capital of Lhasa last October, saying the actions of crime violate China's Constitution and law.

The regional legislature also criticizes the U.S. Congress for adopting a resolution concerning Tibet to interfere in China's internal affairs.

Southeast Asia & Pacific

Reported Vietnamese Attacks Discussed
*HK261103 Hong Kong AFP in English 1029 GMT 26
Jan 88*

[Text] Beijing, Jan 26 (AFP)—Recent alleged Vietnamese attacks on the Chinese border appear to have been less intense than in January 1987 and motivated by political rather than military concerns, observers said here Tuesday.

The Chinese press said Saturday that Vietnam had fired some 2,000 shells onto Chinese territory. It did not give details of Chinese retaliation.

Vietnam was also accused of launching operations earlier this month in the frontline Laoshan area in China's Yunnan province.

Hanoi denied the allegations.

In January last year, the two countries reported heavy artillery exchanges across the border. China said it had lost less than 500 soldiers and killed 200 Vietnamese troops, while Hanoi said it had killed 1,500 Chinese troops.

It was the fiercest of the border clashes reported since China pushed its troops into Vietnam for a brief and bloody conflict in early 1979 to punish Hanoi for invading Cambodia and ousting the Khmer Rouge.

Western diplomats in Beijing said this month's clashes, as reported by China, were aimed at dispelling rumors of a timid rapprochement between Hanoi and Beijing rather than at gaining any military advantage.

It was the third reported clash since January 1987. In March, China accused Vietnam of having fired 30 to 40 shells on a Yunnan village, provoking retaliation from Chinese gunners.

In October, the Chinese press said Chinese artillery had inflicted "devastating blows" on Vietnamese troops in retaliation to their firing of 1,000 shells on the Laoshan region.

Both countries usually report launching only counter-attacks, while the foreign press has virtually no means of confirming the battles.

XINHUA on Sihanouk-Hun Sen Talks in France

Sihanouk Urges Withdrawal
*OW210938 Beijing XINHUA in English 0814 GMT
21 Jan 88*

[Text] Saint-Germain-en-Laye, France, January 20 (XINHUA)— Samdech Norodom Sihanouk began a second round of talks with Kampuchea's Phnom Penh regime here today, urging Vietnam to withdraw from Kampuchea before spring 1989.

Sihanouk's son, Prince Ranarith, announced his father's renewed withdrawal call this afternoon following a 5 1/2-hour closed-door session between Sihanouk and Phnom Penh representative Hun Sen. The two met at a luxury hotel in Saint-Germain-en-Laye, 25 kilometers west of Paris.

Sihanouk heads the opposition Coalition Government of Democratic Kampuchea; Hun Sen is prime minister of the Vietnamese-backed regime in Phnom Penh.

Today's session dealt for the first time with some significant issues, but the atmosphere was not as warm as last December's first meeting, according to Ranarith, who has attended the meetings.

Hun Sen told reporters after the session that he and Sihanouk discussed a calendar for Vietnamese troop withdrawal and other issues.

Hun Sen presented a calendar "very close" to that proposed by Vietnam — 1990, Ranarith told a press conference.

Ranarith said he did not understand the necessity of discussing a timetable now if the Vietnamese troops will not leave Kampuchea until 1990.

Sihanouk had demanded that Hun Sen come to the meeting with a timetable for Vietnamese troops to withdraw from Kampuchea this year, or no later than 1989.

Ranarith also said that his father had refused Hun Sen's suggestion that the withdrawal be linked with an end of the Kampuchean resistance forces.

The two sides still differ on these problems and on creation of a coalition government and scheduling national elections, Ranarith said. These problems will be discussed further on Thursday, he added.

Ranarith said the two sides have agreed to meet a third time in Pyongyang, capital of the Democratic People's Republic of Korea, a fourth time in France and a fifth in New Delhi.

Meanwhile, Sihanouk sent a message to reassure Khieu Samphan, vice chairman of the coalition government, and Son Sann, commander-in-chief of Democratic Kampuchea's National Army, that his army will continue to fight the Vietnamese in Kampuchea. Khieu Samphan and Son Sann have not joined the talks with Hun Sen.

Talks End Without Communiqué

OW220938 Beijing XINHUA in English 0740 GMT
22 Jan 88

[Text] Saint-Germain-en-Laye, France, January 21 (XINHUA) — Samdech Norodom Sihanouk, president of the Coalition Government of Democratic Kampuchea, ended his second meeting here Thursday with Hun Sen, prime minister of the Vietnamese-backed Phnom Penh regime, without producing any joint communique.

Prince Ranarith, Sihanouk's son and spokesman, told reporters after their second day of talks that the discussions included withdrawal of the occupying Vietnamese troops and the formation of a new coalition government.

Ranarith said Sihanouk set three conditions for the new coalition government: withdrawal of the 140,000 Vietnamese troops from Kampuchea in three phases by 1989, dismantling of the Vietnamese-backed Phnom Penh regime, i.e. the so-called "People's Republic of Kampuchea," and having an international peacekeeping force supervise the Vietnamese retreat.

Sihanouk said a new coalition government would be set up following the second stage of the three-phased Vietnamese withdrawal under the supervision of the international peacekeeping force.

The new government, Sihanouk stressed, must include the four factions in Kampuchea.

Following Thursday's talks, Hun Sen told the press that he had rejected Sihanouk's demand that the "People's Republic of Kampuchea" be scrapped. He said this would be "no less than suicide."

The Vietnamese-backed prime minister still stuck to his demand that the Khmer Rouge Kampuchean resistance force be eliminated before the Vietnamese withdraw.

The two-day Sihanouk-Hun Sen talks followed an initial meeting on December 2-4 in Fere-en-Tardenois, where they met as individuals in response to Hun Sen's request.

Before his meeting with Hun Sen this morning, Sihanouk announced that he is scheduled to meet Hun Sen in April at Pyongyang, capital of the Democratic People's Republic of Korea; and at Paris in November and New Delhi, capital of India, in January or February next year.

Sihanouk Quadripartite Proposal

OW260844 Beijing XINHUA in English 0732 GMT
26 Jan 88

[*"Sihanouk Stresses His Quadripartite Proposal"—XINHUA headline*]

[Text] Paris, January 25 (XINHUA)—Refuting rumors that he had modified his position, Democratic Kampuchean President Samdech Norodom Sihanouk told XINHUA today that what he suggested at his meeting with Hun Sen last week is the formation of a quadripartite coalition government, not a bipartite one, to organize a general election.

In an announcement delivered from his Paris office, Sihanouk stressed that he does not wish to join with Hun Sen, the prime minister of the Vietnamese-backed Phnom Penh regime, to form a bipartite provisional government without the Democratic Kampuchea faction and the Son Sann faction.

Sihanouk said that what he said to Hun Sen was that if the other two factions refuse to join a coalition government, he would form a bipartite government with Hun Sen only under certain conditions.

One, he stressed, would be the disbanding of the Phnom Penh regime, the so-called "People's Republic of Kampuchea." He said he also suggested stationing an international peace-keeping force in the country when Vietnamese troops pull out, but that Hun Sen showed no sign of agreement.

Sihanouk met Hun Sen last Wednesday and Thursday at Saint Germain en Laye in the western suburb of Paris. They discussed without reaching any conclusions such issues as the Vietnamese withdrawal and the formation of a provisional government.

According to a spokesman at Sihanouk's Paris office, the prince will leave Paris on a Chinese Airliner Wednesday for Beijing.

Near East & South Asia

Broadcasting Agreement Signed With Iran

OW260914 Beijing XINHUA in English 0127 GMT
26 Jan 88

[Text] Tehran, January 25 (XINHUA)—China and Iran have agreed to cooperate in the fields of radio, television and satellite broadcasting.

An agreement to this effect was signed here today by Hu Rongquan, vice president of China International Radio, Film and Television Engineering Corporation, and Medhi Tabeshian, acting managing director of Islamic Republic of Iran Broadcasting (IRIB).

Under the agreement, the two sides will exchange technical information and experience about their production of equipment for broadcasting. Iran is also willing to provide help when the Chinese corporation sets up an office or designate a representative in Tehran in this field.

The Chinese delegation is scheduled to leave here tomorrow after a one-week visit.

Zhu Xun Attends Indian Envoy's Reception

OW260902 Beijing XINHUA in English 0848 GMT
26 Jan 88

[Text] Beijing, January 26 (XINHUA)—Indian Ambassador to China C.V. Ranganathan gave a reception at the embassy residence here this morning in celebration of the 38th anniversary of the founding of the Republic of India.

Zhu Xun, minister of geology and mineral resources, was present on the occasion.

West Europe

Wan, Ye Meet French Minister on Cooperation

OW251426 Beijing XINHUA in English 1250 GMT 25 Jan 88

[Text] Beijing, January 25 (XINHUA)—Vice-Premier Wan Li met Pierre Mehaigner, French minister of equipment, housing, territories management and transport, and his party here this afternoon.

Wan said there is great potential for Sino-French cooperation in various fields and Mehaigner's visit will help promote economic and technological cooperation between the two countries.

Mehaigner said the French Government attaches great importance to China's open policy. France lays great store by both its political and economic cooperations with China as the two are inseparable, he said.

The visitors are here as guests of Ye Rutang, Chinese minister of urban and rural construction and environmental protection.

In the morning Ye and Mehaigner signed a cooperation agreement on construction, according to which the two sides will cooperate in city planning, architectural designing and construction and urban services.

East Europe

'Yearstarter' on E Europe Reform In 1988

OW231827 Beijing XINHUA Domestic Service
in Chinese 1157 GMT 13 Jan 88

[Yearstarter: A Year of Opportunities and Challenges, by reporter Zhu Chengjun]

[Text] Beijing, 13 Jan (XINHUA)—To Eastern European countries, 1988, which has already begun, is a year of continued reform as well as a year of opportunities and challenges.

Looking back on 1987, Poland put together a program for its second-phase economic reform; Hungary passed an "economic and social development program" to tackle social and economic problems plaguing the country for years; Czechoslovakia drew up a number of economic reform plans and began experimenting them; Bulgaria drastically restructured administrative organs and gave more autonomy to the grassroots and enterprises; and the German Democratic Republic also relinquished more power to enterprises and furthered economic intensification. The drive to restructure and perfect economic management systems swept across Eastern Europe like a great surge.

This year, most of the Eastern European countries will continue and expand last year's reform processes.

Starting this year, the state administrative departments in Poland will proceed in line with the principles of the second-phase reform. That is to say, the central authorities will no longer play a direct and meticulous role in controlling the national economy. The government will no longer be a "representatives' federation" of various departments. The number of commodity centers controlled by the central authorities will be reduced by 60 percent this year, and, at the same time, local governments and enterprises will be given more decision-making power. The antimonopoly law takes effect in the new year, and the state will use the bankruptcy law more in dealing with unprofitable enterprises.

Hungary's economy was still very troublesome last year and heavily burdened with foreign debts, and its finances were strained. This year, according to the provisions of the "economic and social development program," the Hungarian Government restructured its tax system and began levying enterprise value-added taxes and individual income tax. With the new tax system, the state will

greatly cut production subsidies to press enterprises to accelerate reforming their industrial structures. At the same time, public consumption will be restrained when needed.

Czechoslovakia last year passed a great deal of legislation concerning economic mechanism reform. The reform pilot units increased to 22 at year-end, and workers participating in the experiment amounted to 370,000, 18 percent of the nation's industrial work force. This year, the pilot scope for the economic reform will be expanded with the addition of 12 production units, 15 integrated complexes, and the participation of 43 percent of the nation's industrial work force.

The wage, taxation, credit and loans, and insurance reform will be highlighted on Bulgaria's reform agenda this year. At the same time, enterprise's decision-making power will be further increased and lateral ties strengthened among economic departments.

Some Eastern European countries regard 1988 as "a turning point" or "a year of rigorous trial." Achievements resulting from reform give the people confidence in opportunities and hope for the future. At the same time, however, reform is like sailing against the current and there is resistance and difficulties along the way. Data from Eastern European countries indicates that at the moment, conservatism, marking time and feigning compliance with reform among cadres and the populace, is still a great obstacle to reform. Besides, there is undue haste, and reform measures that are beyond the masses' understanding and tolerance lead to new social conflict and ideological chaos. Moreover, certain issues, such as commodity price reform, involve tens of thousands of households and are thus very sensitive; implementation of these will inevitably stir up some people, and may even trigger dissatisfaction and opposition among some people.

Reform, however, is imperative. Without it there will be no future, even though more often than not reform is carried out under severe conditions. Confronted with both hope and challenge, some leaders of the Eastern European countries reiterated at the start of 1988 that they will spare no effort to remove obstacles and press ahead with reform.

Zhao, Li Greet Ceausescu on Birthday
OW251320 Beijing XINHUA in English 1237 GMT 25 Jan 88

[Text] Beijing, January 25 (XINHUA)—Chinese leaders Zhao Ziyang and Li Xiannian today praised Romanian President Nicolae Ceausescu for the great contribution to his country's socialist development and world peace.

In a congratulatory telegram on the occasion of Ceausescu's 70th birthday, Chinese Communist Party General Secretary Zhao Ziyang and President Li Xiannian noted Ceausescu has made outstanding contributions to the profound friendship between the parties and peoples of the two countries.

"The Chinese Communist Party and people treasure the Sino-Romanian friendship and we will make greater efforts to develop ties of cooperation between our two parties and peoples," the telegram said.

Zhao and Li, on behalf of the Chinese Communist Party and people, sincerely hope the Romanian party and people to score new achievements in their socialist construction.

Latin America & Caribbean

Wu Xueqian, Peruvian Minister on Closer Ties
OW252130 Beijing XINHUA in English 1535 GMT 25 Jan 88

[Text] Beijing, January 25 (XINHUA)—Chinese Foreign Minister Wu Xueqian said today that China attaches great importance to its friendly cooperation with Peru and is willing to promote cooperation for mutual benefit and common development.

Wu made these remarks at a dinner he hosted for visiting Peruvian Foreign Minister Allan Wagner Tizón and his wife. Wagner is the first Peruvian foreign minister to visit China since the two countries established diplomatic relations 16 years ago.

Wu said the Peruvian Government and people have made marked achievements in developing the national economy and in pursuing an independent foreign policy based on the principles of nonalignment, the promotion of regional integration and cooperation between Third World countries.

Wu said last year saw an inspiring change for the better in Latin America. Through the mediation of the Contadora Group and the Lima Group, including Peru, the presidents of five Central American countries signed a peace agreement last year and discussed its implementation earlier this month.

China supports Latin American countries' efforts to promote regional peace and development, the Chinese foreign minister said.

The foreign policies of China and Peru have much in common, Wagner said in his reply. He called the eight Latin American countries' summit last November of far-reaching significance in the history of Latin America.

Wagner said that debt had become one of the most serious issues facing the world in the 20th century. It is a disaster threatening the majority of the world people who are suffering from its consequences, he said.

Peru and China are earnestly practising South-South cooperation, Wagner said. For a new political order such countries as Peru and China must show their strength in solving problems by unity and common efforts.

In their talks in the afternoon, the two foreign ministers discussed several issues including the situation in Latin America and regional conflicts. They both expressed the desire for closer Sino-Peruvian ties.

Beijing, Brasilia Sign Friendship Agreement
OW251538 Beijing XINHUA in English 1529 GMT 25 Jan 88

[Text] Beijing, January 25 (XINHUA)—An agreement on relations of friendship between Beijing and the Brasilia Federal District of Brazil was signed here this morning.

Beijing Mayor Chen Xitong and Governor of Brasilia Jose Aparecido de Oliveira signed the agreement.

Under the agreement, Beijing will send two acupuncturists to Brasilia in exchange for a football coach, and the two cities will also exchange visiting groups this year.

Paulo da Costa Franco, Brazilian ambassador to China, was present at the signing ceremony.

Hu Qili Addresses Propaganda Work Conference
*OW251947 Beijing XINHUA Domestic Service
in Chinese 1627 GMT 25 Jan 88*

[Text] Beijing, 25 Jan (XINHUA)—Hu Qili, Standing Committee member of the Political Bureau and member of the Secretariat of the CPC Central Committee, addressed a national conference of propaganda department directors today. He said: The most important task of propaganda work for 1988 is to deepen the study and publicity of the 13th CPC National Congress report. It is necessary to focus attention on further emancipating the mind. The propaganda and ideological work should ensure stable development of society and smooth progress of the reform and opening, as well as promote the building of socialist material and spiritual civilization.

He said: Guided by the basic tenets of Marxism, the whole party and the people across the country have proceeded from the reality in China in continuously emancipating the mind since the 3d Plenary Session of the 11th CPC Central Committee, thus formulating and developing the party's line. Without emancipating the mind, it would have been impossible for the party to formulate the line and series of principles and policies since the 3d Plenary Session of the 11th CPC Central Committee; carry out the great practice of a vital and resourceful reform that has produced fruitful results in China; and achieve a leap in understanding the theory on the initial stage of socialism formulated by the 13th party congress. Therefore, only by further emancipating the mind can we really raise our consciousness in implementing the line of the 13th party congress.

He said: In emancipating the mind, we must, while steadfastly upholding the four cardinal principles, dare to break with dogmatic interpretations of Marxism, erroneous views attributed to Marxism, and historical idealism that discusses socialism in an abstract sense divorced from productive forces. We must recognize that productivity is the ultimate decisive force of all social developments, that everything helpful to the expansion of productive forces is needed or permitted under the socialist system, and that anything harmful to the expansion of productive forces is against scientific socialism and not permitted under the socialist system. Without thoroughly understanding these fundamental issues, it is impossible to study and grasp the basic guidelines of the 13th party congress and integrate them into the practical work, much less to take the initiative to explore and carry out work in a creative way.

He said: In 1988, we need to stabilize the economy, deepen the reform, restructure the organization, and elect new leading bodies. As the new and old systems coexist, we are confronted with a complex situation in reform. This requires our comrades engaged in the propaganda work to deal with reform and opening with

ardor and persistence on the one hand, and handle certain sensitive issues in the practical work with a clear head and cautious attitude on the other.

He stressed: Propaganda workers should adopt an overall point of view and always give top priority to the maintenance of stability and unity in their thinking, because only with stability and unity ensured can we smoothly carry out various arduous tasks in reform. It is also necessary to strive to guard against one-sidedness and thinking in terms of absolutes in the propaganda work.

He said: Along with the deepening of reform and opening, we must exert ourselves to build socialist spiritual civilization under the guidance of Marxism. It is necessary to bring into play modern mass media and the propaganda apparatus to foster public opinions favorable to the modernization drive and the reform and opening policy. It is also necessary to wage an uncompromising struggle against feudalism and capitalist decadent ideas in accordance with the resolution adopted by the 6th Plenary Session of the 12th CPC Central Committee on the guiding principles for building spiritual civilization. The whole party and society should attach great importance to conducting comprehensive, systematic ideological education on a long-term regular basis among the masses of people, especially young people, and gradually substitute ideological education for temporary practices in the form of political campaigns. It is necessary to adopt various methods and means in the light of realities prevailing in reform and opening in persistently carrying out, on a regular basis, education on current events and political affairs, labor, ethics, revolutionary tradition, patriotism and internationalism, the legal system, and the Marxist outlook on the world so as to train, in a planned manner and with a definite purpose, better educated, self-disciplined young people with high ideals and moral integrity.

Turning to the work in the cultural and artistic realms, Hu Qili pointed out: It is necessary to follow a long-term stable principle and emphasize the central task and the two basic points. Party propaganda departments and leading comrades engaged in the propaganda work should constantly show concern for and assist comrades on the literary and artistic front in upholding the four cardinal principles while devoting themselves to the reform and opening. It is also necessary to guide them to face the realities in the modernization drive and reform, and in the world and the future, and to unite as one on this basis. Leading comrades engaged in the propaganda work should also listen to and maintain close contacts with the masses of people, hearing opinions from different quarters, and analyzing and studying them so as to understand better the central task and the two basic points in our guidance work and overcome one-sided thinking and understanding.

He said: Along with the gradual unfolding and deepening of the political structural reform in separating party from government functions and straightening out relations

between the party and the mass organizations, party propaganda departments should also adapt their work and leadership methods to the change. Party committees must keep a firm grip on major aspects and persist in following a correct political orientation while refraining from excessive control over some concrete matters. In literary and artistic creation, it is necessary to guide writers and artists to diligently study Marxism in order to raise their ability to understand and analyze life and see through the appearance to the essence, and to strive to produce better spiritual nourishment for the people. As for what and how to write in literary and artistic creation, we can only leave it up to the writers and artists to decide in the course of exploration. As far as academic and theoretical debates and evaluation of a certain creative work, movie, or play concerned, we should actively carry out wholesome literary and artistic criticisms and theoretical discussions, and encourage the discussion and airing of different opinions in the spirit of democracy and on an equal footing. As for the theme, style, and school in literary and artistic creation, we should implement even more the principles of letting a hundred flowers blossom and a hundred schools of thought contend and try our utmost to avoid direct interference with administration orders.

He said: As Comrade Zhao Ziyang has stressed, it is essential to place the overall situation under the command of reform. This is the guiding ideology for propaganda departments at all levels. Traditional methods alone are insufficient in thoroughly solving problems encountered in the propaganda work, and these problems can be resolved only by further deepening the reform. Without reform, we will get nowhere in the propaganda work. Hu Qili expressed the hope that propaganda departments at all levels and propaganda workers will explore ways for improving the party's propaganda work under the situation of reform and opening and strive to achieve fruitful results and bring about a new atmosphere in the propaganda work.

The national conference of propaganda department directors was held by the Propaganda Department of the CPC Central Committee in Beijing from 23 to 25 January. The conference discussed mainly the focuses of the propaganda work for 1988, which include continuing to organize the study of the 13th party congress documents and conducting in-depth education on the party's basic line; unfolding study on the theory on the initial stage of socialism; carrying out effective propaganda work on the reform centering around the economic construction and in coordination with adoption of various reform measures; intensifying the study and guidance over the grass roots ideological and political work under the new situation and continuing to promote the building of spiritual civilization in urban and rural areas; strengthening the education among party members in the process of reform and opening to bring about a better work style of the party; actively and prudently encouraging reform in the press and publication work; implementing the principles and policies for promoting literature and art, and

paying close attention to literary and art structural reform; stepping up the propaganda to and exchange with foreign countries in order to meet the increasing needs of opening to the outside world; and improving the quality of propaganda workers and actively and prudently carrying out reform in propaganda departments.

Director Wang Renzhi and deputy directors Wang Weicheng and Li Yan of the Propaganda Department of the CPC Central Committee presided over the conference. Wang Renzhi and Zhu Muzhi spoke on the propaganda work for 1988.

Students of the fourth advanced class of propaganda cadres of the Central Party School listened to Comrade Hu Qili's address this evening. Comrade Hu Qili also posed for photograph sessions with comrades attending the conference of propaganda department directors and students of the propaganda cadres' advanced class.

Hu Qili Inspects Hebei Province 26-31 Dec
SK230148 Shijiazhuang HEBEI RIBAO in Chinese
1 Jan 88 p 1

[Text] We should pay attention to the ideological and political work facing the new situation of continuously deepening reform and opening to the outside world. This was what Hu Qili, Standing Committee member of the Political Bureau of the CPC Central Committee and member of the Secretariat of the CPC Central Committee, repeatedly stressed during his inspection of Hebei Province from 26 to 31 December. He stated leading cadres at various levels should go deep among the grass roots and the masses, positively summarize and vividly popularize the various forms of the masses' self-education, and strive to make the major contents of the basic line in the initial stage of socialism set forth at the 13th CPC Congress—taking the economic construction as a key link and adhering to the four cardinal principles, reform, and the open policy—take root in the people's hearts.

During his 6-day inspection tour in our province, Hu Qili heard reports on studying and implementing the guidelines of the 13th CPC Congress delivered by leading comrades of the provincial party committee and the provincial government; successively visited the prefectures and cities of Baoding, Shijiazhuang, Handan, and Xingtai and the counties of Lixian and Anguo; and went deep among plants and the countryside to get extensively in touch with peasants and grass-roots cadres and conduct investigations and study the key issues that concern how to accelerate and deepen reform.

Hu Qili was very glad after seeing and hearing about the great progress and the unprecedentedly excellent situation brought about through reform and opening to the outside world in the central part of the province, particularly industrial, agricultural, and town and township enterprises along the Beijing-Guangzhou railway line. He fully affirmed some localities' practice of positively

guiding rich peasants to foster accurate ideas of consumption and to use their money to expand production and intellectual investment. He spoke highly of Xingtai Prefecture's practice of arousing the enthusiasm of science professionals and technicians to engage themselves in economic construction by conscientiously giving payment for labor and property rights of scientific and technological findings. He said: The situation indicates that the ceaseless deepening of reform and opening the country to the outside world and the replacement of the old system with the new ones will certainly affect the interests and thinking of the people of all social strata and will promote the transformation of the people's thinking. So, it is extremely essential and urgent to grasp the ideological and political work and to make it penetrate into each and every link of reform.

He Qili pointed out that to strengthen ideological and political work over the course of reform and opening the country to the outside world, we must comprehensively study and grasp the basic line in the initial stage of socialism—taking economic construction as a key link and adhering to the four cardinal principles, reform, and the open policy. He said: The key to persisting in the basic line of the party is to ceaselessly get rid of the influence and interference of ossified ideas and liberalizing ideas. The development of productive forces should be regarded as the basic standard for judging the policies. The development of productive forces is a key task of direct importance in the initial stage of socialism. All things conducive to the development of productive forces conform to the basic interests of the people are requirements for socialism and are allowed to exist by socialism. All things not conducive to the development of productive forces are in violation of scientific socialism or are not allowed to exist by socialism.

It is necessary to protect the enthusiasm of the cadres in charge of political work. This is an important viewpoint in strengthening the ideological and political work stressed by Hu Qili. While talking about the issue of separating party and government functions with plant directors and party committee secretaries of some advanced enterprises, including the Shijiazhuang First Plastics Plant, he affirmed their practice of carrying out the full workload method and strengthening ideological and political work. He pointed out: The principle of separating the party and government functions put forth at the 13th CPC Congress should resolutely be implemented. This work must be enhanced, and must not be weakened. Instead of depressing political work cadres' enthusiasm, we should protect their enthusiasm. Of course, protecting their enthusiasm does not mean protecting old systems.

How do we attend to the ideological and political work over the course of reform and opening the country to the outside world? Hu Qili contended: Leaders of some localities in our province have substantially improved their work style, emphasized practical results, and achieved success in conducting ideological and political

work among the masses. This is a key link in ideological and political work. He pointed out: Leaders at various levels, including cadres of trade unions, CYL organizations, and women's federations, should go deep among the lowest levels of society to listen to the voices of the masses, to understand their difficulties, and to resolutely overcome previous formalistic practices of remaining on the surface by merely relying on convening meetings and issuing documents.

After being informed that some localities throughout the province have made better results in popularizing self-government activities, such as setting up boards of directors in charge of wedding and funeral ceremonies, moral appraisal associations, womens' associations forbidding gambling, party-member discussion meetings, and discussion meetings of villager representatives; and in mobilizing the masses to conduct self-education, he was very glad and fully affirmed that these newly arising aspects have played a positive role in conducting ideological and political work. He said: We should study and apply the masses' good methods and forms to conducting ideological and political work, and should pay special attention to conducting propaganda and education in line with the masses' personal experiences and the methods that the masses love to see and hear in order to adhere to the four cardinal principles, reform, and for the opening up policy to take root in the hearts of the people. The masses' experiences in self-education, self-management, and self-service, such as the establishment of boards of directors in charge of wedding and funeral ceremonies, can be popularized not only in the rural areas, but also in plants and schools, including universities and colleges. In line with various actual conditions, various localities should study and popularize these experiences. It is certain that localities are allowed to adopt various forms to conduct self-education among the masses. Conducting the masses' self-education is not only conducive to the profound development of the ideological and political work, but is also of positive significance in strengthening grass-roots democratic construction and carrying out socialist democratic politics. At a forum with provincial leading comrades, Hu Qili expressed satisfaction with the province's practices in positively creating and providing a favorable atmosphere for the creation for literary and art workers; and encouraged literary and art workers across the province to positively dedicate themselves in the mighty torrent of reform, to go deep among reality, and to create more outstanding literary and artistic works.

Song Ping, member of the Political Bureau of the CPC Central Committee and director of the Organizational Department of the CPC Central Committee, accompanied Hu Qili to inspect Shijiazhuang.

Also accompanying Hu Qili in conducting the inspection were Zhou Jie, deputy director of the office under the CPC Central Committee, and Xing Chongzhi, secretary of the provincial party committee.

Song Ping Calls Attention to Cadre Training
*OW250905 Beijing XINHUA Domestic Service
 in Chinese 1514 GMT 21 Jan 88*

[By reporter Zheng Qingdong]

[Text] Beijing, 21 Jan (XINHUA)—Song Ping, member of the Political Bureau and head of the Organization Department of the CPC Central Committee, stressed yesterday that the work of training cadres should be given conscientious attention and should be institutionalized so that incumbent cadres, particularly leading cadres, of party, government, and military departments will have more opportunities to study Marxist theory and the party's principles and policies.

Yesterday morning Song Ping arrived at the Central Party School and held a discussion meeting with some 60 members of the third study class for provincial and ministerial-level cadres, which is about to be concluded, and an advanced study class for cadres doing organizational work.

In the course of discussion, Song Ping pointed out: we should establish a system for our leading cadres to engage in study and receive training. Efforts should be stepped up to training incumbent cadres, especially leading cadres, so as to raise their ideological level, increase their theoretical knowledge, and enhance their consciousness of implementing the party's line, principles, and policies. At present, our tasks in carrying out the four modernizations are very complicated and heavy, and we are faced with the new circumstances of reform and opening to the outside world. Facing us are a number of new questions to be studied, probed and solved. Without a certain amount of knowledge of Marxist theory and a fairly high ideological level, we cannot meet the needs of the developing situation. In this connection, our cadres are unable to meet those needs very well. Therefore, it is urgently required that they step up their studies.

He said: It is extremely important for leading cadres to study and grasp basic Marxist theory. By doing so, we will have firm confidence in socialism, we will be more principled, systematic, and foresighted in our work, and our ability to judge cardinal issues of right and wrong under complicated circumstances will be enhanced. Cadres of all departments at all levels should make it a habit to study Marxist-Leninist works. No matter how busy they are with their work, they should devote some time to reading some books and, in particular, study a little philosophy. Proper arrangements should be made to train leading cadres in rotation in a planned way so as to ensure that our party and government cadres at all levels, especially principal responsible cadres, will have a certain period for work and a certain period for study. The reform program of the Central Party School has been approved by the party Central Committee. In the days to come, the length of time for some study classes will be shortened so that more cadres will have an opportunity

to study in the party school. Can we arrange for provincial-level cadres to spend a half year's time to study in the party school every 3 or 5 years and, while working at their posts, devote a half month's time each year to reading books, studying documents, and probing and thinking over the most prominent questions of the time?

Referring to the question of developing a good party style, Song Ping stressed: The report to the 13th CPC National Congress states that the party should handle party affairs and that it is necessary to be strict with party members. This is very important. To heighten our party's lofty prestige, we cannot merely rely on our aspirations, but should depend on all party members' correct implementation of the party's principles and policies and on their exemplary role. The effort to rectify party style should start from ourselves. "Uprightness and clean integrity" are requirements that Communist Party members should meet. Our party style consists of the styles of individual party members. When each and every party member puts strict demands on himself and dares to struggle against his own mistakes and incorrect ideas, isn't it a matter of course that our party style will be rectified? For this reason, a very important task aimed at developing a good party style is to radically improve the quality of our party member ranks. In the struggle to rectify party style, every Communist Party members should play an exemplary and leading role and always keep in mind that he is a Communist Party member and should act as a qualified Communist Party member.

Song Ping pointed out: The masses are complaining about unhealthy trends in the employment of personnel—a problem which should be solved by reforming the cadre personnel system. In selecting and promoting cadres, the party committee's Organization Department must keep to principle and resist unhealthy trends. Selection and promotion of cadres should not merely depend on the leadership's impressions, but based mainly on the cadres' actual work performance. It is imperative to evaluate cadres in the course of practice and see to it that "good horses are selected on the race course." The reform of the cadre personnel system should reflect and embody the principle of stressing actual performance, encouraging competition, and exercising democratic and open supervision. The cadre management system should be made scientific. Now that economic construction is the central task of the whole party, the comrades of organization departments should also get acquainted with economic work and economic development strategy. This will help them examine and evaluate cadres accurately.

Song Ping added: To separate party from government, party organizations should change their functions and work methods. To change functions, it is, first of all, necessary to change our thinking and strengthen the building of the party itself. Since the 13th CPC National Congress, the party Central Committee has devoted more time and energy to discussing party building and

studying the work regarding cadres. A forum on developing party style has been held under the auspices of General Secretary Zhao Ziyang. The forum studied some important issues concerning the development of party style at present. As long as our party organizations at all levels shift their main attention to this, our party's work will be strengthened, and our efforts to develop party style will yield more remarkable results.

Deputy heads of the Organization Department of the CPC Central Committee Zhao Zongnai, Lu Feng, Meng Liankun, and Liu Zepeng also attended the discussion meeting.

Presidential Decrees Promulgated

Decree No 61

OW240030 Beijing XINHUA Domestic Service in Chinese 0039 GMT 22 Jan 88

[Text] Beijing, 22 Jan (XINHUA)—Decree No 61 of the President of the People's Republic of China:

The Water Law of the People's Republic of China, adopted on 21 January 1988 by the 24th meeting of the Standing Committee of the 6th National People's Congress of the People's Republic of China, is hereby promulgated and will go into force as of 21 January 1988.

[Signed] Li Xiannian, president of the People's Republic of China

[Dated] 21 January 1988

Decree No 62

OW240028 Beijing XINHUA Domestic Service in Chinese 0108 GMT 23 Jan 88

[Text] Beijing, 23 Jan (XINHUA)—Decree No 62 of the President of the People's Republic of China:

The "Supplementary Provisions of the National People's Congress Standing Committee Regarding Punishment for the Crime of Smuggling," adopted on 21 Jan 1988 by the 24th meeting of Standing Committee of the 6th NPC of the People's Republic of China, is hereby promulgated and will come into force on the day of its promulgation.

[Signed] Li Xiannian, president of the People's Republic of China

[Dated] 21 January 1988

Decree No 63

OW240037 Beijing XINHUA Domestic Service in Chinese 0106 GMT 23 Jan 88

[Text] Beijing, 23 Jan (XINHUA)—Decree No 63 of the President of the People's Republic of China:

The "Supplementary Provisions of the National People's Congress Standing Committee Regarding Punishment for the Crime of Corruption and Bribery," adopted on 21 January 1988 by the 24th meeting of the 6th NPC Standing Committee, is hereby promulgated and will come into force on the day of its promulgation.

[Signed] Li Xiannian, president of the People's Republic of China

[Dated] 21 January 1988

'One Center, Two Basic Points' Discussed HK221419 Beijing RENMIN RIBAO in Chinese 11 Jan 88 p 5

[Article by Gong Yuzhi (7895 5148 0037): "'One Center, Two Basic Points'—Concerning the Party's Basic Line in the Initial Stage of Socialism"]

[Text] Abstract: The party's basic line in the initial stage of socialism, which was summarized by the 13th CPC National Congress, has been the line since the 3d Plenary Session of the 11th CPC Central Committee and is the continuation, enrichment, and development of the line since the 3d Plenary Session of the 11th CPC Central Committee. [end abstract]

The report at the 13th CPC National Congress puts forward that the historical idealist concept of discussing socialism in abstract terms by departing from the productive forces must be eradicated, puts forward the task of basically drawing a clear demarcation line between scientific socialism and various fantasies, and points out that this is our country's current core problem of adhering to and developing Marxism and this "greatly pushes forward the guiding ideology with economic construction as the center."

The four cardinal principles are developing. We must adhere to and develop these cardinal principles according to the development of practice. The new development of the party's line since the 3d Plenary Session of the 11th CPC Central Committee has given current updated contents to the four cardinal principles, and the application of such ideology to expound the inherent unity of the two basic points is a new important viewpoint of the report at the 13th CPC National Congress. [end abstract]

The basic line is perhaps called the general line, general policy, or general task. It specifies neither short-term work and tasks nor individual specific working line and policies. It directs the overall situation and determines the orientation, target, and course of all party work at a historical stage. Our party has always attached importance to clearly, definitely, and correctly forming the party's basic line at all historical stages and to regularly conduct education in the basic line for the party members because the basic line is a lighthouse that lights all our work. If we forget it, we shall not be sober-minded

revolutionaries and, in implementing the working line and policies, we shall lose our bearings, vacillate now to the left and now to the right, and affect the work adversely.

From the Basic Line in the New Democratic Revolution to the Basic Line in the Initial Stage of Socialism [subhead]

Our party has successively had several basic lines in all periods of its historical development and at all historical stages of the development of our country's revolution and construction.

In the period of the democratic revolution, our party gradually formed a clear, definite, and correct basic line. Mao Zedong said: "The revolution against imperialism, feudalism, and bureaucrat-capitalism waged by the broad masses of the people under the leadership of the proletariat—this is China's new democratic revolution and this is the general line and general policy of the CPC at the present stage of history." ("Speech at a Conference of Cadres in the Shanxi-Suiyuan Liberated Area") This basic line led us to win a great victory in founding the PRC.

After entering the transition period, our party determined a new basic line. This was the general line of "one-ization" (socialist industrialization) and "three-transformations" (socialist transformation of agriculture, handicraft industry, and capitalist industry and commerce) and it led us to win a new victory in basically completing socialist transformation.

After the basic completion of socialist transformation in 1956, we entered a new historical stage, which we now call the initial stage of socialism of our country. To establish the basic line for this historical stage, our party underwent a difficult and circuitous course.

It should be said that the first session of the eighth CPC National Congress held in 1956 would originally have laid a foundation for formulating a correct line of the party in the new historical stage. The resolution on the political report at this session points out: "The contradictions between the proletariat and bourgeoisie of our country have been basically resolved, the history of the system of class exploitation over the past several thousand years has come to an end, and the socialist social system of our country has been basically established." "Our main domestic contradictions are the contradictions between people's demands on the founding of an advanced industrialized country and the realities of a backward agricultural country and the contradictions between people's requirements for rapid economic and cultural development and the current situation of being unable to satisfy people's economic and cultural needs." "The main current tasks of the party and all people of the whole country are to concentrate forces to resolve these contradictions and to turn our country from a backward agricultural country into an advanced industrial country

as soon as possible." It was a pity that the mistake of seriously expanding the anti-rightist struggle was reflected in the theory to make our party shake its judgment that our country's main contradictions had undergone a historic change, thus shaking this foundation.

The Second Session of the Eighth CPC National Congress held in 1958 put forward the new general line of going all out, aiming high, and achieving greater, faster, better, and more economical results in building socialism. So far as its emphasis on shifting the focal point of work to construction was concerned, this general line was correct and also reflected the people's urgent desire for casting off backwardness. However, it was related to the "Big Leap Forward" and to the organization of people's communes and bore the imprint of the subjective fantasy of being overanxious for quick results. The guiding ideology of the second session of the eighth CPC National Congress had a profound contradiction: On the one hand, emphasis was placed on shifting the focal point of work to construction; on the other, it was affirmed that the main contradiction of the society of our country was still the struggle between the proletariat and bourgeoisie and between the socialist and capitalist roads. The determination of the main contradiction and of the central task were out of line with each other and conflicted with each other; this situation surely could not exist for a long period of time. Economic construction was, therefore, later relegated to a secondary position and "taking class struggle as the key link" occupied a dominant position.

Consequently, this so-called "party's basic line in the whole historical stage of socialism," which "took class struggle as the key link," was generated, gradually developed after the 10th Plenary Session of the 8th CPC Central Committee in 1962, formed into a theoretical set by the "Great Cultural Revolution," adhered to and publicized for a very long time, and still continued for 2 years after the smashing of the "gang of four." This "basic line" brought about serious setbacks and calamities to the party and people.

Since the 3d Plenary Session of the 11th CPC Central Committee in 1978, on the basis of summing up historical experiences and lessons, our party has gradually formed and developed a basic line that correctly grasps the nature and main contradiction of the stage of our country's social development. The 13th CPC National Congress made such a summary: "In the initial stage of socialism, our party's basic line of building socialism with Chinese characteristics is to lead and unite the people of all nationalities throughout the country to regard economic construction as the center; to adhere to the four cardinal principles; to persist in reform, opening up, self-reliance, and doing pioneering work; and to struggle hard to build our country into a modernized, rich, powerful, democratic, and civilized socialist country." This basic line summarized by the 13th CPC National Congress is the line we have talked about all

along in the years since the 3d Plenary Session of the 11th CPC Central Committee and is the continuation, enrichment, and development of the line since the 3d Plenary Session of the 11th CPC Central Committee.

It is rich and developing because it has summarized the main experiences of the whole course of history of bringing order out of chaos through all-round reform.

It is rich and developing because it has relatively systematically and completely put forward a series of guiding principles that constitute this basic line. These are the six guiding principles of far-reaching significance that we should establish, as enumerated by the 13th CPC National Congress.

It is rich and developing because it is related to the theory of building socialism with Chinese characteristics which has taken shape (the report at the 13th CPC National Congress enumerates its 12 scientific viewpoints) and to the theory of the initial stage of socialism of our country which is a component of the foundation of this general theory. That is to say, the basic line has been built on the foundation of the theory, which has given a preliminary reply to the basic questions, including the stages, tasks, motivating force, conditions, layout, and international environment of socialist construction of our country.

The report at the 13th CPC National Congress also further boils the experiences down to the formula of "one center, two basic points," as the "three magic weapons" were used to summarize the experiences in the period of the democratic revolution. "One center, two basic points" are used to concentrate our main experiences in building socialism and to summarize the main contents of the party's basic line in the initial stage of socialism. Expression in such succinct language is of assistance to the enhancement of the understanding of the whole party and the deepening of its impression.

"One Center"—Taking Economic Construction as the Center [subhead]

The 3d Plenary Session of the 11th CPC Central Committee reestablished the ideological line of seeking truth from facts, the first item of bringing order out of chaos is the basic line without mentioning "taking class struggle as the key link," and it has been decided that the focal point of work of the whole party should be shifted to socialist modernization.

The 6th Plenary Session of the 11th CPC Central Committee systematically summed up the historical experiences since the founding of the country, and the first item of the basic summation is: "The mistake we made in the past was, in the final analysis, that this strategic shift was not unswervingly realized"; "in the future, except for a large-scale invasion by a foreign enemy (at

that time, it is still necessary to carry out economic construction permitted and required by war), we can no longer depart from this key point. [quotation marks as published]

Bringing order out of chaos is a correct view that we originally had. Ideology was confused in between, and we must now return to the past correct view.

On the eve of the founding of our country, our party clearly and definitely pointed out: "Beginning the 1st day we took over control of a city, we have paid attention to the restoration and development of production there" and the other work of the city "is centered on production and construction—central work, and will serve this central work" (Mao Zedong, "Report at the Second Plenary Session of the Seventh CPC Central Committee").

This is to say in wake of the victory in the revolutionary war and the completion of the military tasks, the party's central work immediately began shifting to economic construction. Of course, there was a process of this shift, which was divided into two stages. In the transition period, prior to the basic completion of socialist transformation, although the central work had shifted to the economy, economic construction ran parallel to socialist transformation. Only by basically completing socialist transformation could we have conditions for shifting fully to economic construction.

The first session of the eighth CPC National Congress and Mao Zedong's "On Correctly Handling Contradictions Among the People" expounded the necessity and significance of further shifting the central work of the whole party and whole country to economic construction after the basic completion of socialist transformation. On 19 March 1957, Mao Zedong wrote the outline of a speech, pointing out: "We are now in a changing period, from class struggle to natural world struggle, from revolution to construction, and from the past revolution to technological revolution and cultural revolution." In January 1958, in his "60 Articles of the Method of Work (Draft)," Mao Zedong proposed that "the focal point of the party's work must be put on the technological revolution." This was the continuation of the ideology of "three shifts."

All these correct guiding ideologies were later shelved and discarded due to the vicious development of the incorrect guiding ideology of "taking class struggle as the key link."

Since the 3d Plenary Session of the 11th CPC Central Committee, our party has reaffirmed these correct guiding ideologies and, at the same time, on the foundation of drawing the positive and negative historical experiences, deepened and developed the ideology of "regarding economic construction as the center." Such deepening and development was summed up in the report at the 13th CPC National Congress.

The report at the 13th CPC National Congress enumerates six long-term guiding principles, the first of which is: "It is necessary to concentrate forces to embark on modernization." While explaining this principle, the 13th CPC National Congress report states that since the 3d Plenary Session of the 11th CPC Central Committee, our party has reiterated two "basics": "The basic task of socialist society is to develop productive forces. Whether or not it is beneficial to the development of productive forces must become the starting point for us to consider all problems and the basic criterion for testing all work." In socialism, we have many aspects of tasks and pursue many aspects of ideals and targets, but the basic task is and can only be the development of productive forces. The completion of the other tasks and the realization of the other targets must be centered on and determined by the development of productive forces. If we stress the other tasks and other targets by departing from the development of productive forces, it will run counter to our desire. The practical criterion for testing truth is the criterion for productive forces in socialist construction.

"Basic task" and "basic criterion" are applicable not only in the initial stage of socialism but also throughout the socialist stage. However, in the initial stage of socialism, the task of developing productive forces is of special urgency and incisiveness. Therefore, the 13th CPC National Congress report says: "In the initial stage, to eliminate poverty and backwardness, it is especially essential to regard the development of productive forces as the center of all work."

Comrade Xiaoping said so many times: What is socialism and what is Marxism? We were not completely clear on this question in the past. Marxism attaches greatest importance to the development of productive forces. If we say that the strong points of socialism are better than those of capitalism, it is because socialism develops productive forces more quickly. Since the founding of our country, we have had defects, which are the neglect of the development of productive forces to some extent.

In April this year, he pointed out once again: "To adhere to socialism, we must first eliminate the poor and backward state, greatly develop productive forces, and show off the characteristics that show socialism is better than capitalism." "Although we are now pursuing socialism, in fact we are not qualified. We can say that by the middle of the next century, when we shall have attained the level of a medium developed country, we shall really pursue socialism and justly and forcefully say that socialism is better than capitalism." This remark gave the cadres of the whole party much food for thought.

It is these expositions of Comrade Xiaoping that made the 13th CPC National Congress put forward the task of eradicating the historical idealism under which socialism is discussed in abstract terms by departing from productive forces and the task of basically drawing a clear demarcation line between scientific socialism and other

various fantasies and that point out that this is our country's current core problem of adhering to and developing Marxism on the basis of the theoretical viewpoints of historical materialism that productive forces are the ultimate decisive force of all social development and in the light of the mass political consideration that the strong points and attraction of socialism are, in the final analysis, determined by the development of productive forces. This greatly pushes forward the guiding ideology of "accepting economic construction as the center" in the depth of theory and in political incisiveness.

"Two Basic Points"—Adhere to Reform and Opening Up, Adhere to the Four Cardinal Principles [subhead]

Two basic points are centered on a center. In a speech in July this year, Comrade Xiaoping said very clearly: Pursuing modernization is a basic line. To pursue modernization to make China prosperous and developed, first, it is necessary to implement the policy of reform and opening up; second, it is essential to adhere to the four cardinal principles.

The second and third of the six long-term guiding principles enumerated by the 13th CPC National Congress are "It is necessary to adhere to all-round reform" and "It is essential to adhere to opening to the outside world." This shows the important position of adhering to the general policy of reform and opening up, as the new development of the party's line since the 3d Plenary Session of the 11th CPC Central Committee, in the basic line of the initial stage of socialism.

The fourth principle: "It is imperative to regard public ownership as the principal part and to vigorously develop the planned commodity economy." This defines the subject for economic structural reform: Develop the socialist commodity economy. The simple explanation of this guiding principle in the report is, as it were, the briefest program for the "economy of the initial stage of socialism."

The fifth principle: "It is necessary to regard stability and unity as a prerequisite and to strive to build democratic politics." This defines the subject for political structural reform: Build socialist democratic politics. The simple explanation of this principle in the report is, as it were, the briefest program for the "politics of the initial stage of socialism."

The sixth principle: "It is essential to regard Marxism as guidance and to strive to build spiritual civilization." This is, as it were, the briefest program for the "culture of the initial stage of socialism."

Like the narration in the first principle of concentrating forces to develop productive forces, the narration of these five principles deal with both the general demands of socialism and the special expression of the initial stage. For example: As for reform, they not only deal with the nature and significance of reform in the whole

socialist stage, but also especially state that in the present period of the initial stage, due to the fact that the development of productive forces has been shackled by the ossified structure formed for a long period, reform becomes a more urgent historical demand. As to opening up, they not only deal with its role and significance to all countries in pursuing development, but also deal with its special importance to building socialism on a backward foundation. Reform and opening up is the only way to modernization. There is no way out without reform and opening up.

The principle on the economy is clearer. It states that "in ownership and distribution, socialist society does not demand very pure and absolute egalitarianism" and also says: "In the initial stage, particularly under the premise with public ownership as the principal part, we must develop many economic sectors; under the premise with distribution according to work as the principal part, we must adopt many forms of distribution; under the target of getting rich together, we must encourage a portion of people to get rich first through honest labor and lawful operation." Economic reforms we have already carried out, including the development of many kinds of the economy of ownership with public ownership as the principal part and even the permission of the existence and development of a private sector of the economy, are all determined by the practical situation of the productive forces in the initial stage of socialism and are required for the development of the productive forces in the initial stage of socialism.

The initial stage is a stage of socialism, and the guiding principles that must be defined and adhered to in the initial stage surely include the common general demands at all stages of socialism. The development of productive forces, reform, opening up, development of the socialist commodity economy, democratic politics, and spiritual civilization are the general demands. However, the narration of these six principles in the 13th CPC National Congress report also reflects the special demands in the initial stage at the same time. Perhaps it can be said that the report reflects the special expression of the general demands of socialism in the initial stage and embodies generality and speciality as well as the unity of general socialist development and the initial stage of socialism. This is the first characteristic of the narration of these six principles.

At the same time, the narration of these six principles embodies the two basic points linking with each other and does not separate them. This can be seen from the narration of modernization and the quality of reform and opening up and from the narration of the economic entity, political prerequisite, and ideological guidance. The unity of the two basic points is the second characteristic of these six principles.

Furthermore, the narration of these six principles embodies the unity of two tendencies (ossification and liberalization); this is their third characteristic. The 13th

CPC National Congress report points out: "Eliminating the interference and influence of these two incorrect ideologies—ossification and liberalization—will run through the whole process of the initial stage of socialism." It also points out: "On the whole, overcoming ossified ideology is a main task for a fairly long period." This thesis has been repeatedly discussed by Comrade Xiaoping. A "fairly long period" refers to the period of all-round reform and deepening and accelerating reform. The 13th CPC National Congress report enumerates two reasons for making such a judgment: 1) It is "due to deep-rooted 'leftist' habits." Over the past several decades, "leftist" ideology has established the force of habit. 2) It is "due to the fact that the obstructions to reform and opening up have come from these deep-rooted habits." The established ossified structure was formed under the guidance of the established ossified ideology and in turn strengthened the established ossified ideology. To reform the ossified structure, it is necessary to overcome the ossified ideology. This is not aimed at anyone, but exists in all of us. Looking back on the process of reform and our ideological process in these years, there have been obstructions to and disputes on all things, from the system of contracted responsibilities for operation on the rural household basis to putting forward the socialist commodity economy; carrying out the policy of opening to the outside world; introduction of foreign capital; development of the labor service market, technological market, and financial market; and putting forward operation of enterprises by contract and the stock system. The majority of people knew this at the very beginning. We have many conventions; this is a fact. It was so in the past. In future, when we encounter new questions in the course of reform, it is feared that this situation will still appear.

In addition, the narration of these six principles also embodies an overall layout. This refers to what the "Resolution on the Guiding Principle for Building Socialist Spiritual Civilization," which was adopted by the 6th Plenary Session of the 12th CPC Central Committee, says: "The overall layout for building socialist spiritual civilization of our country is: To take economic construction as the center, to unswervingly carry out economic structural reform, to unswervingly carry out political structural reform, to unswervingly step up building spiritual civilization, and to make these several aspects coordinate with and promote each other." In dealing with the course in which our party further understands socialism, the 13th CPC National Congress report initially gives a reply to the basic questions of the stages, tasks, motivating force, and conditions of our country's socialist construction. The layout mentioned here refers, I think, to this overall layout.

The New Development of the Party's Line Gives New Contents of the Times to the Four Cardinal Principles [subhead]

There is a very important remark in the 13th CPC National Congress report: "Adhering to the general principle of reform and opening up has been the new

development of the party's line since the 3d Plenary Session of the 11th CPC Central Committee, and this new development gives new contents of the times to the four cardinal principles." This is a key to the understanding of the two basic points linking up, depending on, and uniting with each other.

The four cardinal principles are developing. While adhering to these cardinal principles, we must develop these cardinal principles according to the development of practice.

Since the founding of our party, as distinct from the other political parties, our party has had a series of persistent cardinal principles. If we understand it from a broader angle, the four cardinal principles mentioned now are what we adhered to in the period of the democratic revolution. Was party leadership not one of the "three big magic weapons" of the democratic revolution? Mao Zedong Thought was originally formed and matured in the course of the democratic revolution, and the people's democratic dictatorship was originally a slogan put forward in the period of the democratic revolution and was the state regime to carry out the tasks of the democratic revolution. As to the socialist road—this is different; at the stage of the democratic revolution, which could not overstep another stage, the socialist revolution could not be directly made. However, new democracy took socialism as the end result, and there were socialist factors in the politics, economy, and culture of new democracy. In this sense, we also adhered to the future orientation of socialism at that time. Therefore, our party adhered to these cardinal principles in the democratic revolution, but the party's basic line gave them the contents of the times at that historical stage and at that time, which were the anti-imperialist and antifeudal new democratic revolution under the leadership of the proletariat.

Since the founding of our country, we have continuously adhered to these cardinal principles, but these cardinal principles have developed forward more than they did in the period of the democratic revolution. The putting forward of the general line and general task in the transition period was the new development of the party's line, which gave new contents of the times to the four cardinal principles at that time. These new contents were not only the anti-imperialist and antifeudal task, which had been basically completed, but also the tasks of carrying out socialist industrialization and of transforming capitalist ownership and individual ownership at that time. Socialism was no longer a future orientation but the course of transformation in practical progress. The tasks of party leadership and functions of the people's democratic dictatorship underwent changes. There was also the new development of Mao Zedong Thought in the new practice.

After the basic completion of socialist transformation, we were confronted with a new historical change, and there should have been the new important development

of the four cardinal principles. However, we were unable to effect this historical change very well but took a circuitous road and deviated from the correct orientation. Specifically, the "Great Cultural Revolution," the 10 years of internal disorder, occurred. The incorrect guiding ideology at that time distorted the explanation of the four cardinal principles: It was still necessary to "take class struggle as the key link" and to "continue the revolution under the dictatorship of the proletariat" after the basic completion of socialist transformation. Since the 3d Plenary Session of the 11th CPC Central Committee, we have straightened out history, brought order out of chaos in the party's guiding ideology, and distinguished between right and wrong in these aspects.

Now, we have come to understand that we are in the initial stage of socialism and must concentrate our forces on pursuing socialist modernization, which is the central task. On this account, we must carry out reform and opening up. This new development of the party's line since the 3d Plenary Session of the 11th CPC Central Committee gives new contents of the times to the four cardinal principles.

Let us think that without summing up the historical experiences, making the historic resolution, and clearly distinguishing between the scientific system of Mao Zedong Thought and the mistakes made by Comrade Mao Zedong in his remaining years since the Third Plenary Session, without such new development of the party's ideology and line and without grasping such a new development, when we adhere to Mao Zedong Thought, what we adhere to will very likely include many of the mistakes made by Mao Zedong in his remaining years.

Let us think that without gradually carrying out rural reform, urban economic reform, and scientific, technological, and education reform since the Third Plenary Session, without gradually pushing forward opening to the outside world and making all other reforms promote one another, without the new achievements in our further understanding socialism as summed up by the resolution on reform of the economic structure, without the new development of the party's ideology and line, and without grasping this new development, when we adhere to socialism, what we adhere to will very likely embrace the ossified understanding of socialism and ossified structure.

Let us think that without the principles of expanding socialist democracy, putting the socialist legal system on a sound basis, and systematizing and legalizing democracy since the Third Plenary Session, without reform of the political structure and the improvement of the party's leadership ideology as stated by Comrade Xiaoping's "Reform of the Leadership System of the Party and Country," without the basic guiding ideology for political structural reform as put forward by the 13th CPC National Congress report, forming the new concept that party leadership is political leadership, and changing the

old method of party leadership, without the new development of the party's ideology and line, and without grasping this new development, when we adhere to the people's democratic dictatorship, what we adhere to will very likely include some old concepts that run counter to expanding democracy and putting the legal system on a sound basis and when we persist in party leadership, what we persist in will very likely embrace the old structure and old method of not separating the functions of the party from those of the government and of the party committees monopolizing everything.

In a word, if we do not grasp the new development of the party's line since the 3d Plenary Session of the 11th CPC Central Committee and do not grasp the new contents of the times given to the four cardinal principles by this new development, we shall "treat the four cardinal principles with ossified viewpoints," leading to "skepticism and even negation of the general principle of reform and opening up," as exhorted by the report.

Of course, the report also advises us that "we cannot apply the viewpoint of liberalization to treat reform and opening up; otherwise, we shall depart from the socialist path." We carry out reform and opening up on the foundation of socialism, and the aim of our reform and opening up is to make our socialism conform more to our national conditions and more beneficial to the development of the productive forces of our country and to give better play to the strong points of socialism. The four cardinal principles guarantee the socialist foundation, path, and orientation for our reform.

Therefore, we must understand the two basic points by linking them up. They are not externally arranged in pairs, nor is one used to suppress or eliminate the other. We must persist in stressing the four cardinal principles and develop them. The new development of the party's line since the 3d Plenary Session of the 11th CPC Central Committee has given new contents of the times to the four cardinal principles and this idea is used to expound the inherent unity of the two basic points. I hold that this is a new important viewpoint of the 13th CPC National Congress report.

"One center, two basic points," six long-term guiding principles, made the most succinct summation and briefest explanation of the basic line in the initial stage of socialism of our country. There is a task of study before us, and we must digest the theoretical achievements reflected in the 13th CPC National Congress report as the collective wisdom of the whole party to turn them into our own things; at the same time, there is a task of research and every working department, place, and party cadre must continuously carry out research in the practical problems and theoretical problems in the initial stage of socialism and continuously conduct research in the problems concerning the policies and measures for implementing our basic line in all aspects. The task of research and task of study are integrated. Although we have the basic outline of the theory of the initial stage of

socialism of our country and the main contents of the party's basic line at this stage, the whole party must be relied on to grasp, enrich, and develop them in the course of practice.

Call for 'Austere' Hosting of Domestic Guests
OW240530 Beijing XINHUA in English 0258 GMT 24 Jan 88

[Text] Beijing, January 24 (XINHUA)—An official from the State Council, highest government administrative organ, called for an austere practice in hosting domestic guests.

Chang Jie, vice secretary general of the council, told a national conference on domestic accommodation work Saturday that it is imperative to combat extravagance and waste in hosting domestic guests.

"Some officials just do it their own way by wasting the state funds and setting a lavish standard in accommodating guests to the much discontent of the ordinary people," he said.

All this has been detrimental to the image of the party and the government and to the interest of local enterprises and working units, burying many officials in daily reception routine work. He said: "A few officials in the central government have set a bad example in this aspect."

However, combatting waste and extravagance never means that working units should offer a poor quality service in accommodating guests. On the contrary they should try whatever means to make their guests comfortable and content, he said.

More Tibetans Return to Homeland in 1987
OW222305 Beijing XINHUA in English 0717 GMT 22 Jan 88

[Text] Beijing, January 22 (XINHUA)—By 1987, 214 Tibetans in 89 families who used to live in Nepal, Bhutan, and India had returned home to Saga County in the Tibet Autonomous Region.

According to today's overseas edition of the "PEOPLE'S DAILY", the Tibetans came home because local authorities introduced special policies in 1980 to help returned Tibetans resettle.

The Government allows Tibetans living abroad to freely come back for visits, and asked local governments to provide them help when necessary.

After a 2-year absence, Ciren, a herdsman, and his 3-member family returned home to Changguo Township with only a small pot.

Upon his arrival, Ciren received 650 yuan and 45 goats and sheep from the county government in subsidy.

The county Animal Husbandry Bureau has also sent technicians to his home to provide assistance, and now Ciren herds 270 goats and sheep and 35 yak.

In only 2 years, the family's properties snowballed to 50,000 yuan, the paper said.

Over the past 8 years, Saga County has allocated more than 45,000 yuan and 3,000 goats and sheep to the 89 returned families.

Zhao, Li, Deng Congratulate WEN HUI BAO
OW252150 Beijing XINHUA in English 1505 GMT
25 Jan 88

[Text] Shanghai, January 25 (XINHUA)—The Shanghai-based WEN HUI BAO daily has received an inscription from Deng Xiaoping on the 50th anniversary of its launching, XINHUA learned today.

It also received a letter of congratulations from Zhao Ziyang, Li Peng and Deng Yingchao.

Deng Xiaoping wrote: "The 50th anniversary of WEN HUI BAO".

In his letter, Zhao Ziyang called on the paper to contribute more to the implementation of the policy of reform and opening to the outside world by forging still closer ties with its intellectual and other readers.

Li Peng wrote: "Maintain close ties with intellectuals, help in the exchange of information, and promote the policy of reform and opening to the outside world to help China achieve socialist modernization."

Deng Yingchao wrote: "Seeking truth".

WEN HUI BAO was launched January 25, 1938, and it is popular among Chinese intellectuals. It has circulation of 1.3 Million in China and abroad.

Li Peng Wants More Export-Oriented Firms
OW251520 Beijing XINHUA in English 1434 GMT
25 Jan 88

[Text] Beijing, January 25 (XINHUA)—Acting Premier Li Peng called on China's building materials industry today to develop more export-oriented enterprises.

Speaking to officials from the State Bureau of Building Materials Industry, he said China's abundant coal and other resources for building materials, together with its manpower, stood the industry in good stead to boost its exports. "We should also encourage the establishment of Sino-foreign joint ventures in the field," he said.

China's industry of building materials, employing 13 million workers, has made rapid progress over the past few years. Total output was 65 billion yuan in 1987. Output of cement topped 180 million tons, making

China the biggest cement producer in the world. The industry will have a big development in the years to come because of increasing domestic demand, Li said.

Wan Li Attends Ceremony Honoring Olympians
OW251834 Beijing XINHUA in English 1610 GMT
25 Jan 88

[Text] Beijing, January 25 (XINHUA)—China celebrated its first Olympic night with an awarding ceremony, honoring the heroes in the Los Angeles Olympic Games tonight at Beijing.

The International Olympic Committee (IOC) decided recently to award delicate Olympic badges to the Olympic medalists so as to make it convenient for them to demonstrate their [words indistinct] promote the Olympic movement.

China brought home 80 medals in all, including 15 gold medals, in the 1984 Los Angeles Olympic Games.

The Chinese National Olympic Committee mandated by the IOC presented the badges to the representatives of the medal winners, including the shooter Xu Haifeng, who notched the first gold medal of that meet as well as the first Olympic gold for China.

Vice-Premier Wan Li; known as an active tennis player among the senior Chinese leaders, attended the ceremony. The Olympic fight also [words indistinct] China has been proud of, such as table tennis and gymnastics.

It is now less than eight months away from the 1988 Olympic Games and Chinese athletes are energetically preparing for it.

The 1988 Olympic Summer Games will be a tougher challenge in view of the larger participation.

Chen Muhua at Foreign Investment Briefing
OW250841 Beijing International Service in Mandarin
0900 GMT 20 Jan 88

[Text] A briefing on guiding foreign investment in Beijing's suburbs was held on 19 January at the Cuigong Hotel in Beijing's southern suburbs. Present at the briefing were state leaders, including State Councillor and People's Bank of China President Chen Muhua; leaders of Beijing Municipality; and more than 100 commerce officials and representatives of business firms and banks of some 20 countries and regions.

During the briefing, a responsible person of the department concerned of the Beijing Municipal Government pointed out that 146 joint ventures will be launched in Beijing's suburbs. Of these undertakings, 90 % will be productive projects, including technical innovations of existing enterprises and import of advanced techniques and key equipment for crop cultivation and aquaculture.

The responsible person said: The Beijing Municipal Government will continue to give all kinds of support to Chinese-foreign joint ventures and cooperative enterprises. For instance, enterprises with foreign investment engaged in low-profit, exploitative crop cultivation and aquaculture may enjoy exemption or reduction of land rent. In Beijing's suburbs, which cover more than 16,000 square kilometers in total area, there are 80 Chinese-foreign joint ventures and cooperative enterprises, of which 33 have formally started operations and production.

Yang Shangkun Praises Beijing Policemen
*OW251136 Beijing XINHUA in English 1030 GMT
25 Jan 88*

[Text] Beijing, January 25 (XINHUA)—Senior party official Yang Shangkun praised the Beijing policemen and encouraged them to keep on with their work, today's BEIJING DAILY reported.

Yang Shangkun, member of the Political Bureau and permanent vice-chairman of the Military Commission of the Chinese Communist Party Central Committee, encouraged the policemen when receiving representatives of the Beijing traffic policemen, the paper said.

Yang Shangkun together with Beijing Mayor Chen Xitong and other leaders of the Beijing Municipal People's Government, and Wang Farq, minister of public security, cast their votes for the best traffic policemen in Beijing, which started January 20.

The "best traffic policeman in Beijing" voting began January 20 and will end February 5. More than 50,000 Beijing residents had already cast their votes, the paper said.

Zhang Jingfu Urges Safety in Production
*OW231538 Beijing XINHUA in English 1319 GMT
23 Jan 88*

[Text] Beijing, January 23 (XINHUA) — State Councilor Zhang Jingfu urged here today all the local governments to establish a responsibility system for safe production.

"All the industry-related ministries should also enhance their management in safe production by completing concerned regulations and laws," said the state councilor at a meeting on the work attended by heads of industry-related ministries and local governments.

Statistics show that last year more than 280,000 traffic accidents occurred, which claimed more than 51,000 people, a 3.8 percent increase over 1986; and more than 2,000 died in 28,000 fire disasters; while the shipping accidents during the period went down by nine percent from one year earlier, the death toll caused by local shipping service rose by 78 percent.

'Continuation' of Lin Biao Plane Crash Story

Part I
*HK251000 Hong Kong WEN WEI PO in Chinese 23
Jan 88 p 3*

[Article Xu Wen-yi (6079 2429 4135), Former PRC Ambassador to Mongolia: "The Inside Story of Lin Biao's Plane Crash and the Whole Process of Diplomatic Negotiations —Part I of Continuation"]

[Text] Editor's note: The first part of this article was carried between 12 and 14 January. The continuation of the article has arrived, and will continue to be carried in parts beginning with today. [end editor's note]

"Military Plane" or "CAAC Airliner" in Dispute [sub-head]

As mentioned above, the Mongolian side proposed the initialling of an official document on the plane crash after the on-site inspection. The two parties did not waste any time negotiating the scope of the document and the talks went on all through the night. However, the differences in substantial issues were great. Regarding the burial of the remains, the two sides discussed the "Summary on the Burial of the Deceased of the PRC Plane Crash" ("Summary on the Burial" for short,) but failed to arrive at an agreement. It was already past 1700 when we returned to Ondurhaan. We were all exhausted after a few days' strain and hard work, and badly needed a good sleep. However, around 2200 that evening, the Mongolian side sent us a "Summary on the On-Site Investigation of the PRC Plane Crash in the Territory of the Mongolian People's Republic" ("Summary of On-Site Investigation" for short,) which they had drafted, and wanted an immediate discussion on it. Taking advantage of the time Comrades Sun Qingyi and Wang Zhongyuan needed to translate the document, I cushioned myself on a sofa and started pondering the events of the past two days and the problems they evoked. I had found the Mongolian side friendly in helping us inspect the scene and burying the remains; but when it came to discussing the relevant summary, their attitude could be rather rigid. Although the Mongolian side backed down on the assertion that our crashed plane was "invading" or "intruding" Mongolian territory, and changed the wording to "entering," they continued to insist that the plane "was driven by military personnel," "with military personnel riding in it," and even put it that the flight "served military purposes." They just would not let go of the word "military," in an attempt to nail us down in an unfavorable political position. I thought we should never make any concession on this point. We must adhere to our position in accordance with the spirit of the instruction from home, and insist that it was a CAAC airliner entering Mongolian territory by mistake. We must reason with patience and do our best to make our talks successful. Should we fail, we would continue our talks when we returned to Ulan Bator. When I formed a clearer sketch in my mind, I relaxed and fell asleep. It

was not until 0100 on 17 September that the translation of the document was finally ready. Immediately we put our heads together in making preparations for the talks.

The Strained Talks [subhead]

Talks between the two sides officially began at 0425 at the hotel. I was the first to speak, expressing my thanks to them for all the various conveniences provided us by the Mongolian Government and the friendly cooperation of the Mongolian personnel. Then I proposed a 10-point revision of the "Summary of On-Site Investigation." The main points were as follows:

1. It was proposed to change in the preface "a PRC plane entered the territory of the Mongolian People's Republic at about 0200 13 September 1971" into "a CAAC airliner entered Mongolian territory by mistake because it had lost its way."

2. Regarding the first article in which the remains of the plane were described, it was proposed that a statement be added to ascertain the location at 20-some meters to the east of the nose of the plane, of a damaged wing bearing the "CAAC" mark; because the summary had confined itself to the signs of the PRC national flag and number 256 on the plane tail, but refrained from mentioning the wing in question. 3. Regarding the conclusion in Article 7 of the summary that "the crashed plane was for the service of PLA personnel" and the deceased were all "military personnel" after a detailed description of the belongings of the deceased, it was proposed to change the wording into "this CAAC No 256 airliner carried Chinese military personnel as well as non-military people."

With regard to the "Summary on Burial" as submitted by the Mongolian side, I proposed the following revision in the preface: "With the friendly assistance of the Mongolia People's Republic and relevant departments, the remains of the nine deceased (eight men and one woman) were buried as in the following manner," then the time, the place and the manner of the burial were put down specifically.

Astounding News [subhead]

After my speech, the Mongolian side proposed a 10-minute break. But when the 10 minutes were up, our Mongolian counterparts failed to reappear. Thus waiting, I heard from a foreign broadcast report that China had closed all airports, and halted all departures. Immediately it struck me that the astounding news must have something to do with the plane crash. This made me promptly sense the complexity and graveness of the matter. At this juncture, Comrade Sun Qingyi found out that the Mongolian personnel had gone to the post and telecommunications office. Possibly they were seeking instruction from their superiors. Taking into consideration the pressing situation, I decided that it was inappropriate to stay there any longer. It was imperative to

get back to the Chinese Embassy and brief those at home on our on-site inspection and the progress of the talks, so as to gain further instructions. I asked Comrade Sun Yixian to speak to the Mongolian side. In view of the 22nd anniversary of the founding of the PRC was drawing near, the ambassador was to hurry back to Ulan Bator to take charge of embassy affairs. It was proposed that the talks continue in Ulan Bator. If the Mongolian party should insist on continuing the talks here, the Chinese side would appoint Sun Yixian to carry on behalf of the ambassador.

An Impasse [subhead]

The meeting resumed at 1015. Colonel Sangjia [2718 0502] answered to my proposals on revising the summary. They were basically rejected point by point. Regarding the first point, Colonel Sangjia said, there was no evidence to prove that the CAAC airliner had entered Mongolian territory by mistake because it lost its way; "therefore, it is groundless to put it down that way." Concerning the second point, he believed, "if the wing bearing the 'CAAC' mark located 20-some meters east of the nose of the plane should be included, then everything in detail must also be put down into the summary." As to the third point, he stated, "As the deceased were all clad in army uniforms, the passage identifying them as military personnel should be retained." Finding the atmosphere rather tense, Director of the Department of Consular Affairs of the Mongolian Ministry of Foreign Affairs Gaotaobu [7539 7118 1580] tried to ease the tension, and said: "We are here to investigate and to analyze the scene of the plane crash. Both sides wish to conclude the matter as quickly as possible. The ambassador has expressed the need to return to Ulan Bator today. We understand the ambassador is fully occupied with his work. Likewise, the ambassador understands that we are very busy, too. If the ambassador and Comrade Sangjia agree to my suggestion, that is, we'll make our talk successful, then we'll all return to Ulan Bator together today." I said that differences in our views were just natural because the two sides had different angles; after all we had had only two or three sessions talking about the incident. But I believed that the matter would be settled through friendly negotiation based on mutual understanding in a truth-seeking way. Then I focused on two points: First, in accordance with the instruction of the Chinese Government, I made a formal explanation to Deputy Foreign Minister Eerdunbilege at 2030 on 14 September, who did not hold anything against it. This point should be included in the summary. And second, the crashed plane obviously bore the mark of "CAAC No 256," which was witnessed by all. Therefore, we proposed that this point should be included in the summary.

Part II HK251300 Hong Kong WEN WEI PO in Chinese 24 Jan 88 p 2

[("Special feature": article by Xu Wenyi (6079 2429 4135), former PRC ambassador to Mongolia: "Inside Story of the Lin Biao Plane Crash Affair and the Whole Process of Diplomatic Negotiations—Part 2 of Continuation")]

[Text] The Mongolian Side Sought Easy Ways Over

What Was Difficult [subhead]

At 1520, both sides continued to hold talks. Seeing that it was impossible to reach an agreement on the "Summary on Spot Investigation," the Mongolian side then tried to seek some easier ways for solution and turned to discuss the "Summary of Burial." Gaotaobu [7559 7118 1580] said: As to the ambassador's request for returning to Ulan Bator, we have already reported the matter to the higher authorities. Now we are required by the higher authorities to finish the "Summary of Burial" as quickly as possible so that we can go back to Ulan Bator together. I agreed, and asked them to look reality in the face and give the details of the crashed CAAC airliner No 256. As to the personnel on board the plane, we had no objection to saying that there were military personnel on board, but according to our judgment on the spot, there were also non-military personnel. Therefore, it was necessary to include both types of personnel. Then Sangjia [2718 0502] took the floor, saying that the Mongolian side could change the term of "the Trident 1-E plane piloted by the PLA military personnel" into "the PRC Trident 1-E plane No 256," but insisting that the people on board were all military personnel. This revision was a step closer to our proposition, but we still hoped that they would agree that the plane belonged to CAAC and that there were also non-military personnel on board the plane. I explained that the woman we had found was obviously not a military person, because we had also found a pair of white leather shoes on the scene. Gaotaobu argued that although there were four Chinese characters meaning CAAC on the wing, none of the materials found could prove that it was a civil aircraft. The credentials brought by the personnel on board the plane were all issued by the Army. As to the white leather shoes, since they were not on the feet of that woman, they might not really belong to her. I said the number 256 showed that the plane was a civil aircraft. In some countries, civil aircraft were managed by soldiers. Thus, we could not be so sure that the plane was not a civil aircraft. Since the major problems on this issue had already been solved, why should we continue to argue over such secondary questions? At this point Sun Yixian chipped in: I have been working in Mongolia for many years and I know that the civil aircraft in this country are also managed by soldiers. If a Mongolian civil aircraft got lost and entered the territory of another country by mistake, and the country denied that it was a civil aircraft, could you agree with that? I went on: Moreover, since the pilot was wearing a leather jacket, it shows that he is not a serviceman. Gaotaobu interrupted me and said: Inside the jacket there was an army uniform, and his belt was also a belt used by soldiers. I explained: In our country, many young people like to wear army uniforms and soldier's belt. This cannot be proof that he was an soldier. Sangjia was a bit excited and said loudly: We have sufficient materials to show that they were all military personnel. I said: If your materials can really prove this, please show us the materials, and then we can give up our stand. Sangjia said that there were pistols on the scene, which show that the dead were all military

personnel. I refuted this argument again, saying that we were not afraid to admit that there were military personnel on board the plane, but we should respect the truth. Both sides continued to engage in a battle of words and the situation became rather tense. Gaotaobu then announced an adjournment of the talks for 5 minutes.

The Tense Negotiations Broke Up in Discord [subhead]

After the negotiations were resumed, Gaotambu said: We respect the opinions of the Chinese side. The draft can be revised again. Then Sangjia read out the preface of their revised "Summary of Burial": "The burial of the remains of the nine citizens of the PRC (eight male bodies and one female) on board the crashed Trident 1-E jet-plane No 256, which was piloted by the PRC soldier is described as follows." I held that it was a progress to change "military personnel" into "citizens," but since the pilot was still described as a soldier and the four Chinese characters meaning the CAAC were still missing, I felt it was of no use to continue the dispute over these questions. Thus, I proposed that negotiations be continued after returning to Ulan Bator. Seeing that they were unable to convince us, Gaotaobu then showed his hand. He said: Out of respect for the deceased, we should have a document. If you do not agree, we will sign the document unilaterally. Sangjia added: As we sign the document we hope that the Chinese side will be on the scene and give clear indication of the fact that it has refused to sign it. Comrat Sup Yixian replied: Since your signature cannot represent ours, there is no reason that we should be present. To keep the situation from coming to a deadlock, I asked both sides to calm down a little bit. The negotiations would be continued after returning to Ulan Bator. Since an agreement had already been reached on the "Summary of Spot Investigation," the problems concerning the "Summary of Burial" could certainly be solved and the matter could certainly come to a satisfactory end. However, Gaotaobu rejected my last proposal and insisted on signing the document unilaterally and immediately. I said we did not wish to see such an outcome and expressed regret over the matter. Thus, the tense negotiations, which had been going on day and night, broke up in discord. At 1800, both sides flew back to Ulan Bator in a huff.

The Premier Personally Listened to the Report [subhead]

After we returned to the embassy, we heard that our leaders at home had asked about the situation many times. I soon made a brief report to the Foreign Ministry through the special telephone line on the situation of the scene, and the ministry decided that the embassy send someone back to our country immediately to report the details of the matter. Although we were all exhausted at that time, when we learned that the leaders at home were anxious to know the details of the plane crash, we all tried our best to bestir ourselves and that very night rushed out four reports on the plane crash, the spot

inspection, the burial of the dead bodies, and the situation of negotiations. It was then decided that Comrade Sun Yixian would bring the relevant materials back to our country immediately. Sun Yixian left by an international train running from the USSR to China on 20 September and arrived in Beijing at 1500 on 21 September. He was looking around to find his friends and relatives who had come to meet him at the station when Comrade Fu Hao, then a member of the leading group and director of the general office of the Ministry of Foreign Affairs, went up to meet him. What was most unexpected to him was that on that very night, in the Fujian Hall of the Great Hall of the People, Premier Zhou personally listened to his report, and they also had their dinner together—a bowl of hot noodles in soup for each.

Part III

HK251320 Hong Kong WEN WEI PO in Chinese 25 Jan 88 p 2

[Article by Xw Wenyi (6079 2429 4135): "Inside Story of the Lin Biao Plane Crash Affair and the Whole Process of Diplomatic Negotiations—Part 3 of Continuation"]

[Text] Something Unforeseen Happened [subhead]

For several days running after I came back to Ulan Bator from the scene, I could see nothing happening on the Mongolian side. At 1530 on 22 September, Celunchaodale [4595 0243 2600 6671 0519], director of the second department of the Mongolian Foreign Ministry, had an urgent meeting with me, saying that he had been instructed by his government to require the Chinese Government to make an official explanation by 25 September on the matter of invasion of the Mongolian territorial sky by the crashed plane. Judging from the comparatively strong tone of his speech and the fact that he did not mention the continuation of talks at all, I could feel that something unexpected had happened.

Early on the morning of 23 September, our leaders at home instructed me to meet with a Mongolian deputy foreign minister at once and make the following statement under the orders of our government: 1. At about 0200 on 13 September, a CAAC Trident plane, No 256, entered the territorial sky of the People's Republic of Mongolia by mistake due to losing its bearings and crashed there all by itself. The Chinese Government wishes to express regret over this matter and its thanks as well to the Mongolian Government for its cooperation in finding the wreckage of the plane, burying the remains of the victims, and checking up the materials left behind by the deceased. 2. According to the demand of the family members of the deceased, the Chinese Government has decided to take back the remains of the dead and have them buried in China, or to take back their ashes after having them cremated on the spot. The Chinese Government requests the Mongolian Government cooperate

with us in this matter and hopes that the Mongolian side will return us the things left behind by the deceased which they have collected from the scene.

Pass on the Instructions From Home [subhead]

It so happened that at that time, none of the Mongolian foreign ministers was there. Thus, I arranged an urgent meeting with Director Celunchaodale to convey the instructions from our home. Celunchaodale said he would report the matter to his superiors. Two days later, I met him again, asking him about the reply of the Mongolian side to China's request. He said he still had not yet received the instructions from his government. He also said that since it was already 25 September and the Chinese Government had not yet made an official explanation of the invasion of the Mongolian territory by a Chinese plane, he could only express regret over it. He further proposed that since it was already clear about the identities of the deceased, the Mongolian side hoped that the Chinese side would provide it with the names, ages, positions, and photos of the deceased. Finally he said: The Mongolian Government can give consideration to the request of the Chinese Government only after it has studied the official reply of the latter. If you delay giving the reply, I am afraid that something inappropriate to the situation may happen in the future. Judging from his tough attitude when making these remarks, I felt that some changes might have taken place in the situation, and this might have something to do with the rumors spread outside the country since the plane crash.

National Day was approaching. The embassy was busy making various preparations. I was also busy paying some official calls that had been suspended for some time. At 1530 on 29 September, Celunchaodale arranged another urgent meeting with me, saying that he had something important to tell me. He said that the Chinese Government still had not yet made an official explanation of the plane crash and wished to express regret over the matter. He also said that due to the plane crash, all kinds of rumors and discussions had arisen among the Mongolian people. For this reason, the Mongolian Government decided to publish a news brief on this incident so that the people might know the truth. I pointed out at once that the Chinese Government had adopted a serious attitude toward the request of the Mongolian Government, and hoped that at this time when Sino-Mongolian relations have begun to improve, nothing would be done to harm our relations. He emphasized that they would only publish a piece of news, not a government statement.

The Mongolian Side Published a Piece of News [subhead]

At 1700 that afternoon, in its news program, the Mongolian Broadcasting Station broadcasted a piece of news, which was entitled "On China's Plane Crash." The full text of the broadcast is as follows: "A jet plane of the PRC invaded the territorial sky of the People's Republic

of Mongolia at 0155 on 13 September and, for unknown reasons, crashed over Yideermoge [0181 1795 1422 7817 2706] of Hentiy Province at 0225 when flying deep into our territorial sky. Nine dismembered dead bodies as well as guns, documents, and other materials were found in the area of the plane crash, which prove that this plane belongs to the Chinese Air Force. The representatives of the Chinese Embassy to the People's Republic of Mongolia have inspected the scene of the plane crash. The Mongolian side has lodged a protest against the Chinese side on the invasion of the Mongolian territorial sky by the Chinese plane and requested the latter to make an official explanation." On 30 September, the same news was reported by various Mongolian newspapers and foreign language broadcasts.

Accomplish the Special Mission [subhead]

Obviously, the publication of this news by the Mongolian side on the eve of China's National Day would bring about unfavorable influence on the improving bilateral relations. However, judging from the developments in various fields, it seemed that the Mongolian authorities were not intending to make use of this incident and expand its influence. The Mongolian side held a special party to celebrate our National Day and arranged some major official calls for me on this occasion. More Mongolian leaders at higher levels were present at the National Day reception held in the Chinese Embassy. According to the instructions from home, I took the opportunity when Yundeng [0061 4098], Mongolian deputy foreign minister, attended the National Day reception to express regret over the publication of the news about the plane crash by the Mongolian side, which was unfavorable to the normalization of Sino-Mongolian relations. He only said: "We feel that we should let the masses know of this matter. That is why we have published a piece of news in a general report." He said that the Mongolian side would make a reply to the request of the Chinese Government at an appropriate time.

The document of the CPC Central Committee on the fact that Lin Biao had betrayed the party and state, fled in panic, and died in the plane crash was made known to the lower levels and then made known to the public around National Day. The whole truth of the so-called "China's political mystery" had finally come out. According to the instructions from home, I made no further representations to the Mongolian side, thus fulfilling the special mission entrusted to me by history.

Investment Bank Raises Foreign Funds HK230830 Beijing CHINA DAILY in English 23 Jan 88 p 2

[Text] China's Investment Bank, a State-run financial institution, has been successful in raising construction funds abroad and issuing investment loans, thanks to the bank's strict project selection policies and effective appraisal methods.

By the end of 1987, the bank had taken out World Bank loans worth \$645 million and international commercial loans of \$115 million, an Investment Bank Official announced, adding these funds were mainly used for the technological upgrading of smaller enterprises.

To date, the Investment Bank has granted loans to more than 700 enterprises, of which 300 projects are now in operation and 60 have paid back their loans.

"The projects now operational are doing well, with some seeing more profits than expected," the official told an ongoing meeting where World Bank loans are being discussed.

World Bank loans are a good thing, the official explained, because the resulting projects have helped export-oriented enterprises improve product quality, increase exports, improve industrial layout, supply the domestic market, import state-of-the-art techniques and foreign expertise, and train personnel.

In a bid to guarantee all projects will be profitable, he added, the Investment Bank always checks out loan applicants to be sure the firms are well-managed, have a strong technological force, are manufacturing marketable products, and have lined up export markets.

The bank has worked out an appraisal scheme which is in line with State regulations on investment in fixed assets and was formulated using foreign experience as reference.

The bank also strictly supervises and manages all loan projects under construction, the official said.

Foreign Capital Ventures Top 10,000 HK230840 Beijing CHINA DAILY in English 23 Jan 88 p 1

[By staff reporter Shen Feiyue]

[Text] China yesterday announced that the number of enterprises with foreign investment had broken through the 10,000 barrier. The total at the end of last year was 10,008.

The contract value of direct foreign investment has reached \$21.96 billion since the country opened to foreign investors in 1979. The paid-in capital totalled \$8.47 billion at the end of last year, said Zhou Keren, a spokesman for the Ministry of Foreign Economic Relations and Trade (Mofert).

The utilization of foreign capital made steady progress in 1987 thanks to further implementation of the policy of encouraging foreign investment in China, the spokesman said.

Last year, the country approved the establishment of 2,230 enterprises with foreign investment, with a total contract value of \$3.68 billion, an increase of 30 percent over 1986. The paid-in direct foreign investment registered \$1.9 billion, up 1.3 percent.

According to a sample survey by Mofert, enterprises involved in production accounted for 85 percent of the newly-approved enterprises with foreign investment, compared with 76 percent in 1986.

The proportion of technically-advanced and export-oriented enterprises also increased over 1986. By the end of 1987, 226 joint ventures were confirmed as technically-advanced and 608 as export-oriented by the government.

The more than 4,000 foreign-invested enterprises in operation turned in better performances in terms of economic efficiency and foreign exchange balance over previous years. Direct export by the enterprises more than doubled from \$480 million in 1986 to \$1 billion in 1987, Zhou said.

China approved three contracts for offshore oil exploration and development projects last year with a total agreed foreign investment of \$4 million. Over the past nine years, the country has granted 44 contracts of this kind, with agreed foreign investment totalling \$2.836 billion.

Last year, the country's total value of foreign loans decreased slightly from 1986, to \$6.265 billion, Zhou said.

Asked about Japanese investment in China, Chu Baotai, deputy director of Mofert's Foreign Investment Administration Bureau, said both Japan and the United States, the two biggest investors in China after Hong Kong, showed a faster investment growth rate in 1987.

Zhou said the country's foreign trade last year was characterized by a surge in exports, an easing of foreign exchange shortages, and big improvement in import and export figures.

Statistics from Mofert indicated exports jumped 28.1 percent to \$34.7 billion, while imports dropped 1.1 percent to \$32.73 billion, producing the first trade surplus since 1983.

Law To Benefit Foreign Cooperation Ventures
HK250506 Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English 25 Jan 88 p 1

[By staff reporter Zhang Yu'an]

[Text] China is drafting a law for Sino-foreign co-operative ventures which gives them more advantages and flexibility than are enjoyed by other forms of foreign investment in China.

The law aims to expand international economic co-operation and technological exchange, encourage foreign investors to start co-operative ventures in China and protect the legal rights and interests of such ventures, said Acting Premier Li Peng.

Li Lanqing, Vice-Minister of Foreign Economic Relations and Trade, said a draft had been submitted to the Standing Committee of the Sixth National People's Congress for examination and approval.

Sino-foreign co-operative ventures appeared in China after a law for Sino-foreign joint ventures was promulgated by the State Council in 1983. Since the two forms of economic co-operation share many common interests, the law for co-operative ventures contains some regulations and rules similar to those for joint ventures. These include the regulations and rules concerning the transfer of investment, buying and selling on both domestic and international markets, foreign exchange balance, employees and labour unions, extension of the term of co-operation, and remittance of foreign partners' and foreign employees' income outside China.

By the end of last September, 4,793 co-operative ventures had been approved in the country, with a total investment of \$12 billion, of which \$3 billion was foreign investment. Co-operative ventures have become one of the major forms of direct foreign investment in China, Li said.

The main difference between joint ventures and co-operative ventures lies in their different profit distribution systems. Investors in joint ventures, also called equity ventures, share their profits according to their investment ratio. Partners in co-operative ventures, also called contractual ventures, share their profits according to the terms of their agreement, which may not be the same as their investment ratio.

Compared with joint ventures, co-operative ventures have more flexibility. They can choose to be either legal or non-legal entities. Legal entity co-operative ventures are managed by their boards of directors, while non-legal entity ones are managed by their joint management group.

The partners' investment can be in the form of capital, equipment or other materials. The ventures can entrust management to a third party.

Partners share profits and assume responsibilities as spelled out in the contract. When the co-operative term comes to an end, the venture can turn over all the property to the Chinese partner. The foreign partner may take a lion's share of the profits in a certain period and may also benefit financially from fixed asset depreciation.

During the production period, the venture can borrow money from financial agencies both in and outside China, but guaranteeing the loans will be the foreign partners' responsibility.

The venture can, in approved business fields, import necessary raw materials and export products. It can buy the raw materials and energy supplies on both domestic and international markets, but other things being equal, it should first consider buying them on the domestic market.

Foreign partners and foreign employees in the co-operative ventures can remit their profits, wages and salaries and other legal income abroad after they fulfill their legal obligations and pay individual income taxes.

If businesses and individuals from Hong Kong, Macao and Taiwan Province run co-operative ventures on the mainland, they will share the same advantages and flexibilities as stipulated in the Sino-foreign co-operative venture law.

Li also said that as co-operative ventures enjoy certain flexibilities not granted to joint ventures, they are not entitled to the preferential tax policy that applies to joint ventures. This will avoid creating an imbalance among the forms of foreign investment and promote the smooth development of all kinds of foreign investment in China.

The detailed regulations and rules will be made by the Ministry of Foreign Economic Relations and Trade.

Provisional Regulations on Price Ceilings
*OW240238 Beijing XINHUA Domestic Service
in Chinese 0816 GMT 18 Jan 88*

[Text] Beijing, 18 Jan (XINHUA)—Provisional Regulations on Management of National Unified Price Ceilings for Production Materials Outside the State Plan

(Promulgated by the State Council on 11 January 1988)

1. These regulations are specially formulated with a view to strengthening guidance and management over prices of production materials outside the state plan and stopping wanton price increases and fee collection. 2. Production materials which fall under the national unified price ceilings are energy, raw materials, and major processing products. They are either marked by high and disordered prices or by the problem of an imbalance in supply and demand.

3. The level of the national unified price ceilings is set in principle at a little bit lower than that of the current market regulatory prices. The State Planning Commission, together with the State Economic Commission, the State Bureau of Supplies, and competent departments

shall regularly study relevant policies on price ceilings, examine the execution of price ceilings, publish a variety of price ceilings, and adjust the level of price ceilings when necessary.

4. To control rises in prices and restrict increases in the course of distribution for work outside plans, the national unified price ceilings will be imposed on such work and sale prices.

5. Departments and enterprises are not allowed to, on the basis of price ceilings, add up prices for production materials which fall under the range of the national unified price ceilings; however, sale prices that are below the price ceilings are free from this restriction.

6. If production materials are regulated only by national price ceilings on work outside plans but not by national sale price ceilings, the calculation of sale price ceilings will be the addition of operation costs, transportation, miscellaneous expenses, profits and taxes on price ceilings for work outside plans. Rates for operational costs (interest included) and profits should not exceed 4 %. In border and remote areas it is not to exceed 5 % maximum. Provincial (autonomous regional, municipal) bureaus of supplies will, based on the actual condition of localities, approve and publish the sale price ceilings and notify the State Bureau of Supplies about this.

7. Provinces, autonomous regions, and municipalities, taking into account local supply and demand situations, may set their own price ceilings on production materials that fall outside the state's stipulation and report them to the State Bureau of Supplies.

8. The price ceilings for crude oil work outside the state plans are the same as that for high-price crude oil outside plans.

9. Retail price ceilings of high-price petroleum, kerosene, and diesel oil that are outside the state plans; retail price ceilings for 48 markets where provincial capitals and refinery plants are located; and the price ceilings at the first-grade stations of petroleum companies will be set by the State Bureau of Supplies and the China National Petrochemical Corporation. As for price ceilings for other markets, provincial (autonomous and regional) bureaus of supplies shall refer to the state unified price ceilings for fixed price markets. The price ceilings for other markets are state unified price ceilings at fixed price markets plus reasonable local price differentials. Retail price ceilings are obtained by local wholesale price ceilings adding wholesale and retail differentials. The differential rate for petroleum and diesel oil is 8 % and 8-10 % for kerosene.

Price ceilings for substandard finished oil product which are produced outside of state plans are obtained by price ceilings of standard oil products, adding the price differentials of high-price oil products.

10. Production enterprises wanting to sell production materials regulated by price ceilings in the open market should sell them at trading markets set by the state and by provinces, autonomous regions, and in major cities or at designated management units. Local price ceilings may apply to direct sales to end users. Sales to material management units apply price ceilings for items outside the state plan.

Sale prices of production materials outside state plans must not exceed sale price ceilings despite many distribution steps involved.

11. Pricing departments at all levels are responsible for supervision of the execution of the national unified price ceiling for production materials. Any departments or enterprises whose sale of production materials exceeds price ceilings will be considered to have committed an illegal act. Price inspection organizations should sternly deal with them in accordance with the "Regulations on Price Management of the People's Republic of China" and the "Provisional Regulations on Price Management for Major Production Materials and Communications and Transportation." Price departments should closely coordinate with industrial, commercial, and taxation departments as well as encourage the masses to expose and crack down hard on blackmarketeering and acts of short payment and evasion of taxes.

12. Price ceilings formulated by departments and localities that are not in accord with the present regulations or with the published national unified price ceilings should follow the present regulations.

13. The State Administration of Commodity Prices will be responsible for interpretation of this regulation.

State Farms' Production of Goods Increased
OW222321 Beijing XINHUA in English 0844 GMT
22 Jan 88

[Text] Beijing, January 22 (XINHUA)—China's state farms logged an industrial and agricultural output value of 21 billion yuan (5.7 million U.S. dollars) last year, or 13 percent more than 1986, the Ministry of Agriculture, Animal Husbandry and Fisheries reported today.

Sun Panqi, director of the ministry's Bureau of State Farms and Land Reclamation, said the bureau has contracted more than 950,000 farms to individuals.

Last year, these farms turned in 4.47 million tons of grain and soybeans, 180,000 tons of cotton, 200,000 tons of dried rubber, and 16,000 tons of hemp to the state, Sun reported.

The farms also produced more machine-processed sugar, dairy products and hogs last year, and exported 1.67 billion yuan (451 million U.S. dollars) worth of goods, or 14.6 percent more than 1986.

According to Sun, this year, these individually-run farms plan to use state investment and their own capital to expand commodity production bases in a bid to make more quality farm and sideline products available.

Tian Jiyun Urges Sugar Production Increase
HK240643 Nanning Guangxi Regional Service in Mandarin 1030 GMT 23 Jan 88

[Text] According to Guangxi Television Station, from 15 to 22 January, just at the sugarcane harvesting season, Tian Jiyun, member of the CPC Central Committee Political Bureau and vice premier of the State Council, inspected the situation in the production of sugar in Guangxi. He stressed that it is necessary to deepen reforms and take the necessary measures to speed up the opening up of new sugar production bases while stabilizing and developing the existing bases in an effort to bring about a new development and new level in the output of sugar in Guangxi and the whole country, to meet the ever-growing requirements for sugar in people's daily life and economic construction, so that people's lives will be still sweeter.

Vice Premier Tian Jiyun, accompanied by Guangxi People's Government Vice Chairman Zhao Weichen and State Council Deputy Secretary General Li Kangan, focused on inspecting key sugar areas such as Beihai, Yulin, Wuzhou, and Liuzhou. Regional Government Chairman Wei Chunshu accompanied him on his inspection of Guiping and Guixian counties. Tian Jiyun went into the fields to listen directly to the views of the sugarcane peasants on developing cane production. He also inspected the Guixian refinery, whose daily output ranks first in the whole country, and the Guiping refinery, and held a forum in which he put forward specific demands on sugar production in the region.

Guangxi now grows sugarcane on some 3 million mu and has nearly 90 refineries. Annual sugar output is 1.2 million tons. There are also 6 million mu suitable for growing sugarcane. The masses are quite enthusiastic for growing this crop. On such a good foundation, the region should develop output faster and better than other places.

Comrade Tian Jiyun expressed support for Guangxi in carrying out development of resources and technological transformation and launching some projects this year, in an effort to raise annual sugar output to 2 million tons by 1992, thus becoming the country's largest sugar base.

Tian Jiyun pointed out that since the 3d Plenary Session of the 11th CPC Central Committee, great increases have been recorded in sugar production in China. However, people's demand for sugar has increased even faster. Hence, it is necessary to take steps to raise the country's sugar production to a new level.

He said that Guangxi has more resources for developing sugar production than other parts of the country. So long as reforms are deepened and carried out correctly, a good grasp is got of developmental production, which is a cardinal link, and work is grasped thoroughly and well on the many slopes and plots of land suited to sugarcane cultivation, it is completely possible for Guangxi to achieve great development in sugar production compared with the rest of the country.

After on-the-spot investigations, Tian Jiyun put forward the following demands on developing sugar production in the region and the whole country: While stabilizing and developing old bases, it is necessary to open up new bases in a planned and measured way; schemes must be implemented in groups and batches, and we must refrain from a mass rush into action; new bases should focus on reclaiming wasteland and barren slopes, and should not occupy grain land or vie with grain for land; sugar processing must be correspondingly coordinated, with efforts based on improving old refineries to expand their processing capacity; attention must be paid to applying advanced technology and practicing intensive cultivation and cultivation on an appropriate scale; comprehensive use should be promoted and the commodity rate and economic returns improved; relations between the interests of the state, the localities, the enterprises, and the sugarcane peasants must be handled properly, to bring into play the initiative of each sector; it is necessary to implement the reform spirit and pay attention to developing sugar production by contracted management and so on. To promote the opening up of new bases, the state will provide active support in tax revenue and in prices, credits, agricultural production materials, and so on.

Font:

GNP Increases 9 Percent in 1987
HK230832 Beijing CHINA DAILY in English
23 Jan 88 p 1

[By staff reporter Dai Beihua]

[Text] Finance Minister Wang Bingqian yesterday confirmed that China's gross national product (GNP) last year surpassed 1 trillion yuan for the first time (one trillion equals one thousand billion yuan, about \$270 billion). But problems still exist in the State's finance, he said.

The figure for last year's GNP is 9 percent higher than 1986, Wang said at a Beijing conference to exchange views on how to make better use of the World Bank loans.

The minister said that the nation's industrial output value rose by 14.5 percent but the output value of agriculture increased by only about 4 percent. These figures were predicted by the State Statistics Bureau for the end of 1987.

Wang said that the domestic market was brisk, with the volume of retail sales hitting 500 billion yuan, up 17.6 percent over 1986.

The foreign exchange reserves increased, he said, but he did not give any figures.

However, the minister pointed out, China's social supply still falls far behind demand and prices have been rising drastically.

"Our State finance is in difficulty and we are faced with arduous tasks," Wang said.

In the meantime, Wang called on people in charge of financial work in China to make efficient use of World Bank loans in order to speed up the country's modernization.

The minister said that World Bank loans should be used mainly in energy, telecommunications, agricultural and technical renovation projects, and the development of education and social programmes.

Projects involving loans provided by the World Bank should be highly efficient, he said.

More regulations will be worked out to better manage the use of the loans. These regulations will cover project proposals, project administration, loan extensions, financial affairs, accounting and repayment schedules, Wang said.

In preparing the projects, the authorities concerned must make detailed investigations to guarantee the economic viability of the projects. The feasibility reports will not only look at technical aspects of the projects, but also financial aspects, he said.

During the construction of the projects, inspections will be required. Officials including those from the Ministry of Finance and the State Planning Commission, will solve financial problems that hinder construction, and punish those people who waste the loans.

Since 1980, about \$5.5 billion has been loaned by the World Bank to China, of which \$2 billion has been used in 52 projects.

Commentary Analyzes Enterprise Merging
HK260620 Beijing LIAOWANG in Chinese No 1,
4 Jan 88 p 22

[Text] "Short" commentary by Ma Shuangping (7456 7175 1627); "Enterprise 'Mergers'—An Analysis"

[Text] The practice of reform has constantly deepened people's understanding of the laws governing the economy in the initial stage of socialism. The recent merging of enterprises in Baoding City gives us much food for thought. Under the conditions of a socialist planned

commodity economy, the merging of enterprises is an effective mechanism for economic operation. It has widened our field of vision and has given us a new train of thought to deepen reform and invigorate enterprises.

Competition between enterprise will inevitably result in some enterprise thriving, while others decline. Impelled by economic interests, the thriving enterprises will have the desire to expand themselves and annex other enterprises, while the losing enterprises which are at the end of their tether will have to accept merging. Consequently, the merging of enterprises becomes an inevitable objective reality. It is the result of competition as well as the beginning of competition at a higher level.

Whenever we mention merging, people always relate it to the law of the jungle and mutual deception and rivalry in capitalist economic life. This understanding is one-sided. The merging of enterprises under capitalist conditions is indeed accompanied by contemptible aspects. Nevertheless, we cannot negate the essential, progressive significance of merging. It keeps pace with and is mutually integrated with the joint stock form, thus pooling capital, promoting socialized production, and creating conditions for the development of productive forces. As the social nature and economic foundation of socialism are different from those of capitalism, the purpose and motive of enterprise merging of the two systems are also different. Therefore, the merging of enterprises under socialist conditions can "develop what is useful and discard what is not" in the merging of enterprises under capitalist conditions.

The merging of enterprises is advantageous to the readjustment of the production setup and attainment of better economic results. The defects of irrational production setup and product mix, of enterprises being small but comprehensive, waste of production factors, and low level of specialized division of work and coordination exist in China's current economy. These are the obstacles to the development of productive forces. The merging of enterprises is advantageous to the rational distribution of production factors, to the attainment of better results, to the readjustment of the product mix, and to the development of socialized division of labor and coordination. This has all been affirmed by theoretical analysis and proved by practice.

The characteristics of enterprises merged under socialist conditions are in contrast to the merging of enterprises under capitalist conditions.

First, the merging of enterprises under socialist conditions is carried out consciously in a planned way. The state can take part in merging through macroscopic regulation and certain administrative means. Under capitalist conditions, merging is only subject to the law of value. Its direct motive is to seek greater profits. Therefore, it is characterized by blindness and spontaneity. While promoting the development of productive forces, it also gives rise to many problems. The merging

of enterprises under socialist conditions is not subject to the law of value. Under socialist conditions, the fundamental interests of both parties are identical and the state can consciously use the laws of the merging mechanism to promote and guide the operation of this mechanism. As a result, a merger which may not be beneficial to both parties judged from a partial and short-term point of view, but which will be of great significance judged from the overall situation and a long-term point of view can also be realized.

Some people confuse merging with integration. In fact, they have not grasped the essence of the matter. These are two different things. First, integration is equal, while merging is unequal. Second, integration is realized by the administrative departments according to the laws governing the economy, while merging is the objective demand of the economy itself. Regarding the administrative means applied in merging, it is just for guidance. This is an inherent demand of a planned commodity economy and an essential characteristic of merging under socialist conditions. We cannot indiscriminately reject the administrative means because of its participation in economic activities or negate the essence of merging because of the administrative interference.

RENMIN RIBAO Views Technology Policies
HK220749 Beijing RENMIN RIBAO in Chinese
15 Jan 88 p 2

[("Dispatch from Guiyang" by Pan Didu (3382 1593 6757); "Ma Hong Proposes Pushing Forward Technological Progress"]

[Text] Making technological progress and improving economic results should be taken as a target. Reforms and opening up to the world should be carried out in coordination with development, whereas development should serve as a guarantee for reforms and opening up to the world. At a national seminar on the policies for technical transformation held recently in Guiyang, Ma Hong, well-known economist and secretary general of the State Council's Economic, Technological, and Social Development Research Center, aired his views on the principles for formulating a policy for technical transformation and technological progress in China.

Ma Hong said: Although our country has made marked progress in technical transformation, equipment in two-thirds of enterprises throughout the country has not yet been reformed, millions of township and town enterprises have yet to be equipped with modern technology, and further efforts should be made to introduce, assimilate, and apply advanced equipment, advanced craftsmanship, and advanced technology. Therefore in terms of policy, the following combinations should be taken into account:

—The policy on technical transformation and technological progress should be combined with the policy on adjusting the industrial structure and the product mix. It

is necessary to enliven underdeveloped industries, to develop the production of undersupplied products, to upgrade products, and to promote the production of products that help increase foreign exchange income.

—The policy on technical transformation and technological progress should be combined with the policy on optimizing the industrial structure. It is necessary to develop enterprise groups, all forms of scientific research, and production combination bodies, and to merge scientific research, design, production, and sales into an organic whole.

—It should be combined with the policy on technology. It is necessary to use the policy on technology to guide technical transformation, to promote technological progress, and to develop the production of advanced products with international competitiveness. The application of backward technology should be restricted so that it can be finally eliminated. The method of punishment and reward should be introduced to encourage progress and restrict backwardness.

—It should be combined with the policy on economic and technological exchanges and cooperation with foreign countries.

—It should be combined with the policy on reforming enterprises' operational mechanisms. It is necessary to enable enterprises to assume sole responsibility for their profits and losses and engage in self-accumulation, self-transformation, and self-development.

—It should be combined with the policy on developing the socialist commodity economy.

—It should be combined with the policy on state macroeconomic control. This combination will provide an environment beneficial to technical transformation and technological progress.

—It should be combined with the policy on optimizing the direction of capital investment. In particular, priority should be given to the transformation of weak links in key technological projects so as to improve the macroeconomic results of technical transformation as a whole.

Journal Discusses Enterprise Mergers, Reform
HK250935 Beijing LIAOWANG in Chinese No 1,
4 Jan 88 pp 20-21

[Article by Ma Xuelu (7456 1331 4389) and Shi Zhishun (0670 1807 7311): "Mergers"—A New Trend in Enterprise Structural Reform"—boldface passages as published]

[Text] Thanks to competition, a series of changes have occurred in relations between enterprises. An outstanding characteristic of the changes in Baoding City is that a number of profit-making enterprises have merged with losing enterprises.

I.

Over the past 3 years, Baoding has helped to bring about mergers between 10 profit-making enterprises including the Boiler Factory and the First Rubber Plant and 10 losing enterprises including the Fan Factory and the Chemical and Building Materials Factory.

Prior to the mergers, the profit-making enterprises manufactured marketable products, attained better economic results, and were capable of transforming and upgrading themselves. However, these enterprises could not expand owing to their limited space, equipment, and personnel. The losing enterprises that were merged had a total staff of 3,300 with fixed assets of 28 million yuan. Since 1970 these enterprises suffered total losses of 20 million yuan. Meanwhile, they received a financial subsidy of 21 million yuan. Over the past decade or so, the state invested another 50 million yuan in these enterprises for no return whatsoever. These enterprises had spacious production environment and equipment, but the quality of their personnel, management, and technology was poor. They had no leading products. In addition, they were incapable of undergoing technical transformation or getting loans to transform themselves. As a result, they suffered losses for successive years and had no hope of extricating themselves from the predicament. Some of them actually went bankrupt or were on the verge of bankruptcy.

The managers responsible for economic work in Baoding came to realize through the reality of economic development that market competition will inevitably lead to the following: Some enterprises will gain the upper hand, while some will be reduced to inferiority. The enterprises that have gained the upper hand are badly in need of conditions for further development and expansion, but they have a shortage of production factors. However, production factors lie idle and are wasted in the enterprises which lose out in competition because of the shrinkage in their production. Therefore, it is a question demanding prompt solution in economic management to appropriately redistribute the social and production factors to support the profit-making enterprises and transform losing enterprises.

II.

Baoding adhered to one principle and three methods in merging enterprises.

The principle is: The basic technical conditions of both parties should be more or less the same. Of the 10 pairs of enterprises, the merging of 7 pairs was carried out among enterprises of the same trade. For example, both the boiler factory and the fan factory belonged to the machine-building trade. While the supply of boilers for industrial purposes manufactured by the boiler factory fell short of demand, the fans for mining purposes manufactured by the fan factory were unmarketable. The basic technique of the products of both parties was

related to welding and pressure processing. After the merger, the production of boilers for industrial purposes was able to be increased by 200 percent without undergoing any transformation. Although the other 3 pairs were not of one trade, the profit-making enterprises were able to make full use of the spacious environment of the losing enterprises. For example, the cannery badly needed space to expand its workshop, while the bone fertilizer plant had no work to do. Although the latter did not have any equipment, it had an area covering dozens of mu. After merging, each side benefited from the other.

The three methods include: First, the government acting as a go-between to help bring about the merging of enterprises. This was divided into the following two aspects: First, after the government acted as a go-between, both the profitable enterprises and losing enterprises adopted a relatively positive attitude. In this case, both parties held consultations to decide on the scheme. The scheme was submitted to the government for approval and then put into practice. Second, profit-making enterprises were active, while the losing ones were passive because the leaders there were afraid that they would lose their power and influence after being "annexed" by the other side. Under such circumstances, the competent departments of the enterprises used compulsory means to effect the merging.

Second, the profit-making enterprises "annexing" the losing enterprises. Merging is not tantamount to establishment of lateral ties on a reciprocal basis. Regardless of the size of both parties, it was the profit-making enterprises with solid economic strength which manufactured marketable products that "annexed" the losing enterprises. Here "annex" referred to thoroughly reorganizing the leading body of the losing enterprise, putting an end to the ideological outlook, spiritual situation, and factory mood and discipline which caused losses for a long time, and fundamentally transforming the thinking, system, and method of operation and management of the losing enterprise rather than looking down upon the cadres and workers there. The operation and management of the losing enterprises were brought into line with the overall arrangement of the profit-making enterprises. Products which were still marketable could be retained. The factory leaders who assumed responsibility for enterprise losses were removed from office or downgraded. Jobs were assigned to ordinary cadres and workers according to their abilities. Like the staff members and workers of the profit-making enterprises, they were treated equally without discrimination.

Third, reappraising the stocks and assets and transferring the property based on renumeration. Prior to the merging, the party "annexed" reappraised their stocks and assets and then adopted different means to deal with the property in light of the varying forms of ownership. The eight pairs of state enterprises which were merged adopted the following method: The financial departments verified and canceled the worthless assets and the profit-making enterprises took over all the remaining

claims and debt. There were two forms for the merging of enterprises of different ownership: First, the state enterprises "annexed" the collective enterprises. The property, claims, and debts of the collective enterprises were all transferred to the profit-making enterprises. The staff members and workers were also transferred to state enterprises, but they retained the attributes of collective ownership. Second, the collective enterprises "annexed" the state enterprises and purchased the property of state enterprises with their funds. The staff members and workers of the state enterprises were transferred to the collective enterprises, but their attributes of as public ownership remained unchanged.

III.

Practice has proved that the merging of enterprises under socialist conditions is a good way for social productive factors to develop from declining industries and enterprises to new emerging industries and enterprises and for the self-readjustment, self-development, and self-perfection of the industrial economy. Merging has brought beneficial changes to the technical combination structure of social productive forces, thus significantly raising the level of specialization and economies of scale. Merging has completely changed the outlook of the losing enterprises by instilling modern management experience and the spirit of the profit-making enterprises into the losing enterprises, thereby attaining remarkable economic and social results. They are manifested in the following:

Quick results attained in readjusting the product mix with less investment. Owing to limited space, personnel, and equipment prior to merging, the profit-making enterprises could not manufacture their marketable products on a large scale. For example, the Baoding No 1 Rubber Plant was incapable of upgrading its products owing to its limited space. In 1985 the plant merged with the Chemical and Building Materials Factory, which occupied an area of over 60 mu in the suburbs, and made full use of the spacious environment to import advanced technology and develop leading products. The rubber plant also helped the chemical and building materials factory resume production of ethylenediamine which was suspended long ago. Similarly, other profit-making enterprises rapidly developed a number of leading products including steel windows for building purposes and special transformers. The solid economic strength of the profit-making enterprises also saved the marketable products of the losing enterprises. For example, a knitting equipment factory which suffered from long-term deficits began to make profits. The mining fan factory which lost its clients because of inferior product quality put its products on the market again after undergoing transformation. After the merger, the unmarketable products of the losing enterprises including pesticide, black and white film, and sodium were eliminated. In the course of readjusting these products, the funds saved from the cost of purchasing land and fixed assets of the losing enterprises totaled around 30 million yuan. The

entrepreneurs had the following comments: Such mergers constituted social productive input without investment and intensive expanded reproduction in a more profound and extensive sense.

Enterprises attaining better economic results. The merging has effectively transformed a number of enterprises which suffered from long-term deficits and were on the verge of bankruptcy, thus alleviating the burden of 2 million yuan annually for state finance. As the various capital goods were put to use again, and owing to the rational combination of productive factors after the merging, the profit-making enterprises did not bear any burden. Instead, they achieved better economic results. In 1982 prior to the merging, of the 18 out of 20 enterprises, except 2 large enterprises, the losing enterprises incurred a loss of 4.25 million yuan, while the profit-making enterprises made a profit of 2.34 million yuan, an unfavorable balance of 1.91 million yuan. In 1986 after the mergers, 8 enterprises (not including the 2 large enterprises) turned out a profit of 7.21 million yuan. Although the increase of profit cannot be totally attributed to the mergers, the above figures show that merging has played an immense role in attaining better economic results.

The building of the ranks of workers. Prior to the mergers, production was abnormal and management loose in the losing enterprises. As a result, the ranks of workers totaling several thousand were ideologically confused. Many workers felt that the future of their enterprise was gloomy and there was no hope of extricating themselves from the predicament. Therefore, they adopted the attitude of muddling along. Consequently, a slack mentality became force of habit among the workers. After the mergers, the measures adopted to place cadres and workers in new posts and to ensure their wages and bonuses set their minds at rest. The profit-making enterprises set strict demands and exercised management rigorously in light of factory rules and regulations. Some enterprises conducted training classes for workers. All this immediately put an end to the ideological confusion of the ranks of workers.

IV.

The merging of enterprises enlightened the people and widened their field of vision.

Merging does not infringe upon the decisionmaking power of enterprises. Some people worry that the method of merging characterized by administrative means will infringe upon the decisionmaking power of enterprises. In fact, the main idea of delegating decision-making power to enterprises is expressed in the transfer of operation by the owner to the operator. Whatever form is adopted, the transfer is conditional. In other words, the operator should assume economic responsibility and attain the agreed target in operation. If the operator cannot attain the target, but incurs heavy deficits or goes bankrupt, it means that the operator should

hand over the right of operation of his own accord. Then, if the departments of the government concerned fail to readjust the enterprises by exercising their proprietary rights, it would be a dereliction of duty. Therefore, regarding the losing enterprises that are merged, the question of infringing upon their decisionmaking power simply does not exist.

Administrative means are necessary. The question is whether they are appropriately applied. Some people thought that the short-term objective of economic structural reform should be the transition from direct to indirect management by the government and that the methods of merging were largely related to administrative means which constituted a deviation from the orientation of reform. The relevant departments of Baoding believed that the government was the owner of state enterprises. Administrative means are necessary so long as ownership is not abandoned. The factor of the government exercising administrative powers is included in leasing, contract, and merging of enterprises announced by the government and also in declaring enterprise bankruptcy. Such being the case, the method of merging should not be rejected. In view of the small stock and sluggish flow of assets in China, there is almost no effective regulative mechanism. Once fixed assets take shape in an enterprise, it becomes difficult for them to flow and be regulated between enterprises. When the assets in stock are out of balance due to competition, merging should be considered the best means of regulation. Why should we not make full use of this method?

We should make full use of the method of merging to transform enterprises that are on the verge of bankruptcy. The method of "bankruptcy" can only play a "deterrent" role. The method of merging has offered us new ideas for dealing with bankrupt enterprises or those at the verge of bankruptcy. There is no doubt that an enterprise's declaring bankruptcy can enlighten the benighted and enormously stimulate all enterprises. However, it also has side effects which can produce an impact on society. This limits the scope of the method of enterprise bankruptcy. By applying the method of merging enterprises to transform those that are on the verge of bankruptcy, we can impel and stimulate enterprises to a certain extent and also avoid radical social turbulence. Judging from this, we should use both bankruptcy and merging, incorporating their strong points and also making up their deficiencies.

Article Examines Macroeconomic Policy
HK221456 Shanghai SHIJIE JINGJI DAOBAO in Chinese 21 Dec 87 p 7

[Article by Fan Di (5400 2769): "Redesigning the Framework of the Macroeconomic Policy—Also Commenting on Li Yining's Theory on Stagnation and Inflation in 'Socialist Political Economy'"]

[Text] In early 1986, Professor Li Yining completed a book entitled "Socialist Political Economy." The book has raised among other things, the question of stagnation

in the socialist economy, a question that has not drawn full attention from people. An economic depression was taking place at that time. The economic growth for the first quarter of 1986 showed a prominent trend of stagnation and a high inflation rate. Was this a coincidence? No. It indicates that economic stagnation and inflation are a part of the most difficult problems we should resolve.

Ideals or Practicality? [subhead]

There has been a debate in economic circles these past few years over the relationship between reforms and economic development. Some people maintain that because reforms require a relaxed environment it is necessary to provide an environment for reforms in which supply exceeds demand. This viewpoint is based on an idealist concept of value. That is, the concept concerning the possibility of maintaining a balance between supply and demand, as well as making supply exceed demand during the initial stage of socialism. Contrary to this Professor Li Yining pointed out in his book that a balance between the aggregate social supply and demand is rare, but that demand being a little more than supply is more practical. Comparatively speaking, his judgment on value is more practical than his judgment on other things. This is a precondition for his theory on stagnation.

Does the Imbalance Between Aggregate Social Supply and Demand Occur at the same time as the Imbalance Between Structures? [subhead]

While people in economic circles were debating on the balance between aggregate social supply and demand as well as the balance between structures, Li Yining said: In the socialist economy it is possible for the imbalance between aggregate social supply and demand to take place at the same time as the imbalance between structures. This simultaneous occurrence may lead to economic stagnation and inflation. Theoretically speaking, the simultaneous occurrence of these two types of imbalance finds expression in the following four forms: 1) Economic stagnation caused by the imbalance between the aggregate social supply and demand takes place at the same time as economic stagnation caused by the imbalance between structures; 2) Inflation caused by the imbalance between the aggregate social supply and demand takes place at the same time as inflation caused by the imbalance between structures; 3) Inflation caused by the imbalance between the aggregate social supply and demand takes place at the same time as economic stagnation caused by the imbalance between structures; and 4) Economic stagnation caused by the imbalance between the aggregate social supply and demand takes place at the same time as inflation caused by the imbalance between structures. The third and fourth phenomena are referred to as stagnation occurring simultaneously with inflation. What is the cause? Professor Li said: From a microeconomic view, imbalance originates from the spontaneous economic activities of enterprises

and individuals; from a macroeconomic view, before the completion of reforms the underdeveloped nature of China's economy will make "tight operation" a frequent phenomenon. Therefore the first economic problem China will encounter for a certain period of time to come is economic stagnation and inflation simultaneously caused by the imbalance between the aggregate social supply and demand and the imbalance between structures.

To Solely Apply a Policy of Deflation or Adjust Product Mix and Increase Supply? [subhead]

How should we solve the rising aggregate demand? Although most people do not object to applying a policy of deflation, they have many different opinions on how to apply it. Li Yining said: We should not apply a policy of deflation that only "stresses the importance of demand to the neglect of supply"; we should combine relaxation with control, expand macroeconomic adjustment from the aggregate social demand to both the aggregate social demand and supply, adjust both the industrial structure and product mix, and rearrange the distribution of resources. For a period of time to come, the imbalance between aggregate social supply and demand will give rise to inflation, and shortage or oversupply of some key products will bring about economic stagnation. Therefore, reducing the pressure of inflation will possibly harm supply.

Strictly speaking, the theory on stagnation and inflation clarified in Li Yining's book is a rough analysis, which requires further efforts of improvement. For example, a detailed analysis is necessary to explain the formation process of economic stagnation and inflation. As a matter of fact economic stagnation and inflation in the present period are caused by the imbalance between the aggregate social supply and demand and the imbalance between structures.

Supplementary Opinion for the Theory on Stagnation and Inflation [subhead]

Theoretically speaking, economic stagnation will arise whenever inflation occurs and there is a large amount of unsold commodities. But during an economic shortage, the situation is generally characterized by an overall shortage, although there may be some unsold commodities. In China, commodities are sometimes oversupplied, but this amount of oversupplied commodities does not lead to economic stagnation. Then how does economic stagnation occur in China?

Before economic stagnation occurs, investment expansion and inflation occur in society. When such expansion and inflation reach a certain limit, enterprises start accumulating goods in short supply, bank credit begins to expand, and fund circulation begins to slow down. In addition prices begin to rise. First the prices of capital goods and then the prices of consumer goods, which

finally reach the limits of the consumers' mental forbearance. At this time the government, for various reasons, has no alternative but to introduce a policy of deflation, hence the deflation of credit and finances. Once deflation starts economic growth begins to lose its impetus, because the state is the main investor, or the only investor to be more exact. Even if deflation is not very serious it will still slow down the economic growth rate. When "expansion and inflation" become very serious, a deflationary policy has to be strictly enforced so as to reduce such "expansion and inflation." This will lead to economic stagnation. But the deflationary policy cannot help resolve inflation caused by structural imbalance or the rise in production costs. The inflation we generally encounter in actual life is precisely this type of inflation. Thus apart from giving rise to economic stagnation, the deflationary policy cannot help stop inflation. To make matters worse, once the policy of deflation is lifted, a new round of "expansion and inflation" will appear even more ferociously. Thus a situation will arise in which periodic inflation resulting from the policy will take place. The enforcement and lifting of the policy of deflation leads to the alternate occurrence of inflation and stagnation.

The Economic Policy Needs Redesigning [subhead]

The macro-monetary policy and the financial policy are becoming weak in the presence of complex economic contradictions. Therefore, the monetary and financial policies should be made applicable to microeconomic activities, and this should be brought to our attention. It is unfair to attribute inflation and stagnation to the monetary and financial policies. As a matter of fact, the macroeconomic management policy has always focused on management over demand. When management over demand lacks microconditions, it is impossible to expect effective results from the implementation of the monetary and financial policies. Obviously, the macroeconomic policy should not take on a wavering nature; its framework should be redesigned.

Economist Calls for Eradicating Dogmatism OW250857 Beijing XINHUA in English 1200 GMT 24 Jan 88

[Text] Beijing, January 24 (XINHUA)—China should further eradicate dogmatism to carry forward the creative spirit of Marxism, says Xue Muqiao, a noted Chinese economist

Xue said this in a written speech to be published in the Monday issue of the "BEIJING REVIEW", a Beijing-based English weekly.

"It seems particularly inappropriate to have established a uniform socialism by eliminating the private economy and all private enterprises, because this runs counter to objective laws of historical development," Xue said.

It's not surprising that China still retains some capitalism because at present China can't totally eliminate it... And this point of view conforms with the social conditions underlying the theory of the primary stage of socialism, Xue said.

Some foreign newspapers claim that China has been gradually abandoning Marxism. "This is nonsense which stems from a lack of knowledge," he said.

After a new social system is set up, some parts of the old system will remain present for quite a long time, from the viewpoints of historical materialism. The primary stage of socialism in China still involves some nonsocialist, even capitalist factors." This is completely understandable."

Talking about the relation between socialism and capitalism, the economist said "Globally speaking, today's capitalist world has changed a lot since Marx's writing of Capital.

Dogmatists say that there only exist conflicts and there is no interdependence between the two sides of a contradiction, say, workers and capitalists; socialist and capitalist countries. This point of view runs counter to dialectical materialism."

Xue complained that some of China's economists dare not face up to the reality and pay little attention to the new developments in capitalism.

"Rather they squabble endlessly over the question of the proletariats' absolute poverty. In their eyes what Marx did not predict would never happen. This is a dogmatic approach to Marxism."

Facts shows that the rigid view of socialism as conflicting totally with capitalism does not conform with the objective reality, he concluded.

State Council Issues Circular on Train Safety OW230519 Beijing XINHUA in English 1630 GMT 22 Jan 88

[Text] Beijing, January 22 (XINHUA)—The Chinese State Council has issued an emergency circular calling for more attention to railway safety, especially the safety of passengers, XINHUA learned here today.

The circular was issued after two major railway accidents which resulted in what the circular describes as "heavy losses of state property and people's lives."

The circular requires all railway departments to launch an education campaign on safety among their employees.

"Every railway worker should foster the idea of 'safety first,'" it says.

The circular also calls for an immediate check of equipment, saying that any potential danger should be removed as soon as possible.

The existing equipment designed to ensure railway safety should be kept in excellent condition, and large railway stations should be installed with necessary flaw-detecting devices, it says.

The circular especially emphasizes safe transportation during the coming Spring Festival, the most important festival in China. It calls on railway departments to put more workers on the job during the period and provide better service.

It reaffirms that inflammables, explosives, and other dangerous goods are strictly forbidden in railway stations and passenger trains.

"Violators are subject to detention and fines or even more severe punishments," the circular says, adding that the origin of the dangerous goods will be traced and leading members of departments responsible will also be dealt with.

It points out that illegal dismantling and purchase of railway equipment are strictly prohibited, and people who purposely damage railway equipment will be severely punished.

Mobile Satellite Communication System Built
OW250759 Beijing XINHUA in English 1213 GMT
24 Jan 88

[Text] Nanjing, January 24 (XINHUA)—China has developed a mobile compact satellite communication system, XINHUA learned today.

All equipments of the system are packed in a truck and can be put into operation by four operators within an hour.

Apart from performing communications functions of a ground satellite station, it can relay facsimile, telex, telegraph and vocoder telephone between comsats and ground stations.

Trials showed that the system has high transmission quality and anti-interference ability.

Commission Works Out Education Policies
OW230632 Beijing XINHUA in English
0248 GMT 23 Jan 88

[Text] Beijing, January 23 (XINHUA)—China's highest educational authority will start putting pressure on local educational administrations to stop counting the number of students sent to university as the only criterion for evaluating a secondary school's performance.

In an announcement from the State Education Commission today, from now on, local educational administrations will be forbidden to award or reprimand secondary schools according to how many of their students go on to universities and colleges.

In addition to working out policies to check local educational authorities on the competition for high grades, the commission also plans to increase supervision of the country's secondary schools.

More course work than specified by the state-set educational program for secondary students will not be allowed. Secondary schools will not be permitted to let students finish classes ahead of schedule so that they have more time to prepare for the university entrance exam, nor can they separate students into different study groups to prepare for specific exams.

The commission believes these steps will guarantee a standardization of the country's secondary schools, which will train physically and intellectually competent individuals.

Currently, some secondary schools teach with only the objective of sending students to universities and colleges. At present in China, only one out of every three or four high school students will enter an institution of higher learning after graduation.

Because of these enrollment figures, most high school students graduate with a lack of practical and basic knowledge, while the others who go on to university have to sacrifice their health and other interests in the competition for high grades.

The education commission has appointed a special group to handle this problem because these old practices have hindered the overall development of China's high school students.

The committee's first task is to conduct a nationwide study over the next five months, of which the results will be publicized in national newspapers.

According to the commission, the competition for high grades is left over from China's obsolete educational system, which is rooted in the country's underdeveloped economy and stiff political system, so the commission feels it will not be able to solve the problem on its own.

As long as there are universities and colleges the competition for high grades will continue, because this will still be one of the ways students are selected for good jobs.

Secondary schools should not be responsible only for a small number of university candidates, the commission says, but should also accept the job of training individuals able to promote the country's economic construction.

In cases involving the competition for high grades the educational commission will have jurisdiction, and any situation which is harmful to the physical or psychological health of the country's high school students will be punished.

Second Catholic Bishop Released on Parole
HK220959 Hong Kong HONGKONG STANDARD
in English 22 Jan 88 p 7

[By Chan Wai-fong and Kathy Chan]

[Text] China released on parole a Vatican-appointed Chinese bishop last November, China's Catholic Church confirmed yesterday.

The head of the Chinese Patriotic Catholic Association, Bishop Zong Huade, told The STANDARD yesterday that Bishop Peter Joseph Fan Xueyan, former bishop of Baoding in northern Hebei province, had returned to Baoding.

Bishop Fan was the second Vatican-appointed Chinese bishop to be released on parole in the last three months as a Sino-Vatican rapprochement looms.

Early this month, China announced—with some fanfare—the release of Bishop Ignatius Gong, former bishop of Shanghai.

Chinese authorities regard his release as a gesture towards religious freedom.

A spokesman for the Catholic Church in Hong Kong, Father Louis Ha, said he was glad about the bishop's release and wished that more priests and lay Catholics would be released.

Father [Fr] John Tong of the Extramural Studies Office of the Holy Spirit Seminary acknowledged it was a good move.

When asked about possible implications for Sino-Vatican relations, Fr Tong hinted that it was a good gesture. "They have shown their concern towards these bishops who are actually prisoners of conscience," Fr Tong said.

Yesterday, Bishop Gong was reported to have said that about 10 Chinese priests were still in prison because they would not break with the Vatican.

But Bishop Zong insisted there were fewer, although he said he was not sure about the exact figure.

China has kept a low profile on Bishop Fan's release compared to the case of Bishop Gong in January. Fr Tong said that this might be due to the differences (in church activities) between Baoding and Shanghai.

Bishop Zong declined to give the exact date of Bishop Fan's release. But Taipei's archdiocesan CHRISTIAN LIFE WEEKLY said he was freed on November 17 last year, when Manila Archbishop Cardinal Jaime Sin was in China on an official visit.

The weekly said that Cardinal Sin met party chief Mr Zhao Ziyang on November 11 and asked to see Bishop Fan but was refused. However, he did meet Bishop Gong in Shanghai.

East Region

Fujian's Chen Meets Australian Businessmen OW260031 Fuzhou FUJIAN RIBAO in Chinese 5 Jan 88 p 1

[By reporter Xu Shangfu]

[Text] Provincial party Secretary Chen Guangyi and Vice Governor Cai Ninglin met with Li Mingzhi, chairman of the Australian United Overseas Company (Group), and his party at the reception hall of the provincial party committee last night.

Chen Guangyi expressed appreciation of Li Mingzhi's interest in the development of his native place. He welcomed foreign and Overseas Chinese investors to invest in Fujian and help develop its economy by establishing sole-ownership enterprises or joint ventures and by contracting projects and offering managerial assistance. He indicated that although the province was behind other places in starting off economic development, it can expect to have a faster growth by continuing the open policy. Mr Li Mingzhi smilingly told Chen Guangyi that he had good discussions and cooperation with the provincial departments concerned. He said that things are handled much faster in Fujian today and that he could foresee a faster development of the province.

Fujian's Chen Guangyi Addresses Study Class OW250225 Fuzhou Fujian Provincial Service in Mandarin 1100 GMT 15 Jan 88

[By station reporter Chen Li]

[Excerpts] Chen Guangyi, secretary of the provincial party committee, and Jia Qinglin, deputy secretary of the provincial party committee, attended a meeting at the provincial party committee's party school on the afternoon of 14 January. They went to the meeting to hear reports from, and hold discussions with, members of the first party member-leading cadres' class to 'study the documents of the 13th CPC National Congress.'

The class was attended by prefectural party secretaries and administrative commissioners, city mayors, and leading cadres at and above the department or bureau level in Fujian. In light of the actual situation in Fujian, they freely aired thoughts acquired from the study of the 13th congress documents and offered opinions and suggestions for solving problems in the province.

Comrade Chen Guangyi praised the first study class as a good beginning in studying the documents. He expressed the hope that through the leading cadres' study class, efforts will be stepped up to study the documents and implement their guidelines in Fujian.

He stressed: In studying the 13th congress documents, we must follow the style of seeking truth from facts and integrating theory with practice. We must also further

unify the thinking and emancipate the mind on the basis of the congress guidelines and the instructions made by Comrade Zhao Ziyang during his recent inspection tour of Fujian. [passage omitted]

He pointed out: Through the study of the 13th congress documents, we should have a better assessment of the situation in Fujian, knowing both favorable and unfavorable factors. We should make the best use of the favorable ones and avoid the unfavorable in order to give top priority to reform and speed up the pace of reform and opening in Fujian.

He also called on the leading cadres to study party building in the new period with the guidelines of the 13th congress documents and constantly strive to improve their theoretical standards.

Han Peixin Attends Jiangsu Congress Forum OW250239 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 15 Jan 88

[Excerpts] The Sixth Jiangsu Provincial People's Congress Standing Committee held a forum in Nanjing on 15 January. Present at the meeting were responsible comrades of the provincial party committee, Advisory Commission, People's Congress Standing Committee, and people's government, and members of the sixth provincial People's Congress Standing Committee. Chairman Chu Jiang presided over the meeting. [passage omitted]

Governor Gu Xiulan said at the meeting that in the last 5 years, the provincial People's Congress Standing Committee supervised, supported, helped and greatly promoted the work of the provincial government. She thanked the People's Congress Standing Committee for its support.

Han Peixin, secretary of the provincial party committee, said at the meeting that the Sixth Jiangsu Provincial People's Congress Standing Committee did a great deal of work in the last 5 years and helped promote democracy, the legal system and economic construction in the province. He hoped that the Standing Committee members will continue to show concern for the work of the next People's Congress no matter whether they are reelected or not. He urged them to work under the guidelines of the 13th National Party Congress to push the work of the provincial People's Congress into a new stage in accordance with the demand of the reform of the political structure.

Shandong's Liang Attends CPPCC Session SK251231 Jinan Shandong Provincial Service in Mandarin 2300 GMT 24 Jan 88

[Excerpts] The first session of the sixth provincial CPPCC Committee ceremoniously opened in the assembly hall of Jinan's Dongjiao Hotel on 24 January. [passage omitted]

At 0900 that morning, Li Zichao, executive member of the presidium of the session, declared the opening of the session. [Begin recording] [Li Zichao's voice] Fellow CPPCC members and fellow comrades, entrusted by the presidium of the session, I now declare the opening of the First Session of the Sixth Shandong Provincial CPPCC Committee. All stand up. [Playing of the national anthem] Fellow CPPCC members, the sixth provincial CPPCC Committee has 738 members. A total of 689 members are attending today's session. This is a grand session of the largest scale and with the largest number of participants in the history of the provincial CPPCC. Among those invited to attend today's session are leading comrades of the provincial party committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress Standing Committee, the provincial government, the provincial court, and the provincial procuratorate. Attendees include Liang Buting, Lu Maozeng, Jiang Chunyun, Su Yiran, Li Farong, Li Zhen, Han Bangju, and Zang Kun. Attending the session as observers are Wang Zhe, Zhou Xingfu, Xu Meisheng, Li Zijing, Tian Haishan, and Wang Liang, former vice chairmen of the provincial CPPCC Committee; and Standing Committee members of the fifth provincial CPPCC Committee who were not elected as members of the sixth provincial CPPCC Committee. [passage omitted] [End recording]

Entrusted by the Standing Committee of the fifth provincial CPPCC Committee, Zhou Zhenxing, executive member of the presidium of the session, made a work report entitled "Conscientiously Implement the Guidelines of the 13th CPC Congress and Make New Contributions to Making the People Rich and Shandong Prosperous and Building Socialism With Chinese Characteristics." Seated on the rostrum were Xu Wenyuan, Kong Lingren, Ding Fangming, Zhen Weimin, Jin Baozhen, Yang Da, Zheng Shouyu, (Wu Fuheng), (Wu Minggang), Wang Zunong, (Su Yingheng), and (Miao Yongming); and members of the presidium of the session.

Southwest Region

Guizhou Reelects Zhang Yuhuan, Wang Chaowen
*HK260107 Guiyang Guizhou Provincial Service
in Mandarin 2300 GMT 25 Jan 88*

[Excerpts] The First Session of the Seventh Guizhou Provincial People's Congress held its fourth full gathering on the morning of 25 January. The fourth gathering was held to elect the chairman of the Seventh Guizhou Provincial People's Congress Standing Committee, the governor, the president of the Higher People's Court, and the chief procurator. Hu Jintao and others were present as executive chairmen. [passage omitted]

The election was by secret ballot. For election of the chief procurator, the number of candidates equalled the number of posts. For the chairman of the provincial

People's Congress Standing Committee, governor, and president of the Higher People's Court, the number of candidates exceeded the number of posts.

Zhang Yuhuan was elected chairman of the Seventh Guizhou Provincial People's Congress Standing Committee. Wang Chaowen, of Miao nationality, was elected governor. Xie Jinghan was elected president of the provincial Higher People's Court. The session also elected the province's chief procurator; in accordance with Article 8 of the local organic law, this election is only valid after being submitted by the Supreme People's Procuratorate to the NPC Standing Committee for approval.

Yunnan Secretary Reports on Reform Tasks
*HK260247 Kunming Yunnan Provincial Service
in Mandarin 1100 GMT 23 Jan 88*

[Excerpts] The provincial People's Congress held a report meeting on further studying the documents of the 13th CPC Congress in the People's Victory Hall this morning. Provincial party committee Secretary Pu Chaozhu delivered a report on further studying the documents of the 13th CPC Congress to deputies attending the sixth session of the sixth provincial People's Congress.

Pu Chaozhu said: Cadres and masses in the province are now studying and discussing the documents of the 13th CPC Congress in a preliminary way. They are also unfolding a vigorous campaign for studying the report to the 13th CPC Congress and implementing the spirit of the 13th CPC Congress. An extremely important problem on the ideological front at present is that we must continue to read carefully and thoroughly the documents of the 13th CPC Congress, treat the theory of the initial stage of socialism and the party's basic line as the focus of our study, and grasp two basic theoretical viewpoints, namely, the criterion of productive forces and commodity economy. We must also straighten out our ideas; grasp the essence of the report to the 13th CPC Congress; and attain the target of further emancipating our minds and further liberating the productive forces.

On the relationship between the criterion of the productive forces and the theory on the initial stage of socialism, Comrade Pu Chaozhu said: The theory of the initial stage of socialism is a scientific inference drawn by us after using the criterion of the productive forces to make a practical analysis of China's national conditions. The core of the party's basic line is also the problem of the criterion of the productive forces. Using abstract principles and fantastic patterns to judge life by departing from the criterion of the productive forces can only defame Marxism and affect the bringing into full play of the advantages of socialism. [passage omitted]

In connection with the province's reality, Pu Chaozhu also discussed the problem of what productive forces we should develop. He said: The productive forces we want

to develop are those that can achieve industrialization and commercialization, socialization, and modernization of production, which have been achieved by other countries under capitalist conditions. To upgrade the level and nature of China's productive forces to meet the four requirements set at the 13th CPC Congress, we must conduct reform and make explorations to set up and develop socialist economic, political, and cultural structures that are full of vitality. [passage omitted]

In conclusion, Pu Chaozhu said: The 13th CPC Congress called for deepening and accelerating economic structural reform and put political structural reform high on the agenda for the whole party. Political structural reform is a complicated and systematic social project that is more arduous than economic structural reform. Therefore, we must conduct political structural reform resolutely, actively, and prudently. We must adopt major reform measures and formulate major plans in accordance with the united arrangements made by the central leadership.

Li Guiying, chairman of the provincial People's Congress Standing Committee, presided over the report meeting.

Yunnan Leaders Attend Congress Session Opening
HK260127 Kunming Yunnan Provincial Service
in Mandarin 1100 GMT 25 Jan 88

[Excerpts] The Sixth Session of the Sixth Yunnan Provincial People's Congress solemnly opened in the People's Victory Hall in Kunming this morning. [passage omitted]

Qi Shan, secretary general of the session, gave an explanation on the draft of the election method to be used by the session and on the list of candidates to be elected as deputies to the seventh NPC. He said that the NPC Standing Committee has allocated Yunnan 87 slots for people's deputies, including 46 minority-nationality deputies. In accordance with the provisions of the electoral law, the draft of the election method stipulates that the number of candidates should exceed the number of positions. [passage omitted]

Present at the opening ceremony today were Pu Chaozhu, Liu Shusheng, Liang Jia, Gao Zhiguo, Xue Tao, and other members of the session presidium. [passage omitted]

North Region

Beijing CPPCC Elects New Leaders
OW250811 Beijing XINHUA in English 1121 GMT
24 Jan 88

[Text] Beijing, January 24 (XINHUA)—Six scholars and experts were elected today vice-chairmen of the Seventh Beijing Municipal Committee of the Chinese People's Political Consultative Conference (CPPCC), known as the "think tank" in China.

Bai Jiefu, a one-time reporter, was elected again chairman of the CPPCC Beijing Municipal Committee. He served as a vice-mayor of Beijing in charge of cultural and educational affairs.

All the new 12 vice-chairmen of the Municipal Committee have a college education.

Four studied in Europe, Japan and the United States.

One of them, Professor Xia Xiang, now serves as a vice-president of the Chinese Olympic Committee.

Another, Kan Guanqing, is the president of the tuberculosis society attached to the Chinese Medical Association, vice-president of the Chinese Anti-Tuberculosis Association and an executive committee member of the Paris-based International Union Against Tuberculosis and Lung Diseases.

The third, Zhu Chenyu, is the director of the traditional Chinese medicine department of the Beijing Union Medical College hospital.

The fourth, Chen Zhongyi, a native of Taiwan Province, specializes in civil engineering.

The other six vice-chairmen served as leading officials of the Beijing Municipal Committee of the Chinese Communist Party and the Beijing Municipal Government. One of them, Beijing Vice-Mayor Sun Fuling, was once manager of the city's largest private business.

Nei Mongol To Improve Investment Terms
OW261150 Beijing XINHUA in English 1050 GMT
26 Jan 88

[Text] Hohhot, January 26 (XINHUA)—The Inner Mongolia Autonomous Region is to offer more favorable terms to domestic and foreign investors as a way to speed up its economic development.

Buhe, chairman of the regional government, said on Monday that the new terms will cover projects aimed at attracting foreign capital and those involving inter-regional cooperation.

Concrete measures will not be taken, however, until consultations with the State Council are completed, added Chairman Buhe.

The State Council has approved the region's plan in principle, while adding that the region should play up its local advantages in the process, XINHUA learned today.

In addition, departments under the State Council have also decided to build two major projects for the region, an oil refinery and a chemical factory.

Hong Kong

Secretary Notes Need For Post-1997 Autonomy
HK260942 Hong Kong AFP in English 0933 GMT
26 Jan 88

[Text] Hong Kong, Jan 26 (AFP)—A highly autonomous Hong Kong will be crucial to China's prosperity after the British colony reverts to Chinese sovereignty in 1997, a top Hong Kong government official said Tuesday.

"Maintaining a high degree of autonomy for Hong Kong is crucial... in ensuring that Hong Kong could play its part in contributing to the growing prosperity of the mainland," Chief Secretary Sir David Ford told a Rotary Club luncheon here.

Sir David, number two in the Hong Kong administration, however did not specify how much autonomy the territory should have.

Close to half of Beijing's annual foreign exchange revenue is channeled through Hong Kong, analysts say.

Under a 1984 Sino-British Joint Declaration, Hong Kong will become a Special Administrative Region of China in 1997, under a Chinese concept of "one country, two systems."

The pact stipulated that Hong Kong would retain its capitalist system while enjoying "a high degree of autonomy" with an elected legislature for 50 years after the hand-over.

Sir David said the bilateral agreement stressed continuity in Hong Kong's state of affairs during the transition period.

But "it does not mean that there should be no change. Indeed change in the structure of the legislature is written into the Joint Declaration," he added.

He did not touch on the thorny issue of direct elections for Hong Kong's legislature this year, called for by supporters of more democracy here.

Local legislators are currently made up of civil servants, government appointees or those indirectly elected through institutional constituencies.

Beijing has repeatedly said that any big changes in Hong Kong before 1997 would be undesirable and any political reforms should converge with the basic law, a mini constitution for governing the Hong Kong SAR to be adopted in 1991.

The Hong Kong government is scheduled to release a policy paper on the direct elections issue next month.

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